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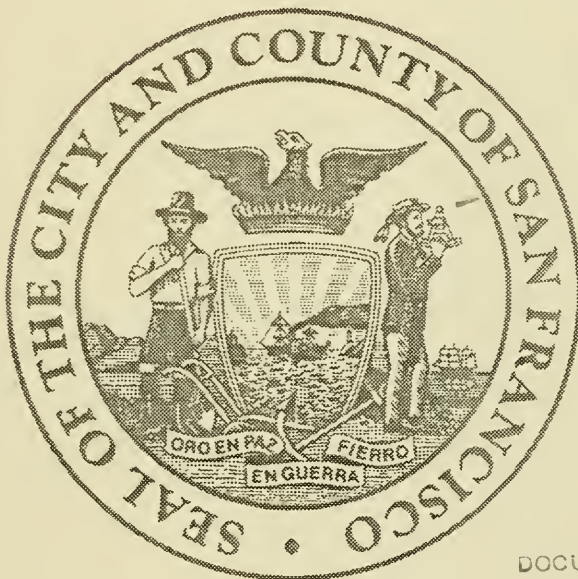
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Health Service System

Annual Report



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Fiscal Year July 1, 1988 - June 30, 1989



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HEALTH SERVICE SYSTEM

ANNUAL REPORT

FISCAL YEAR JULY 1, 1988 - JUNE 30, 1989

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I. HISTORY OF THE HEALTH SERVICE SYSTEM

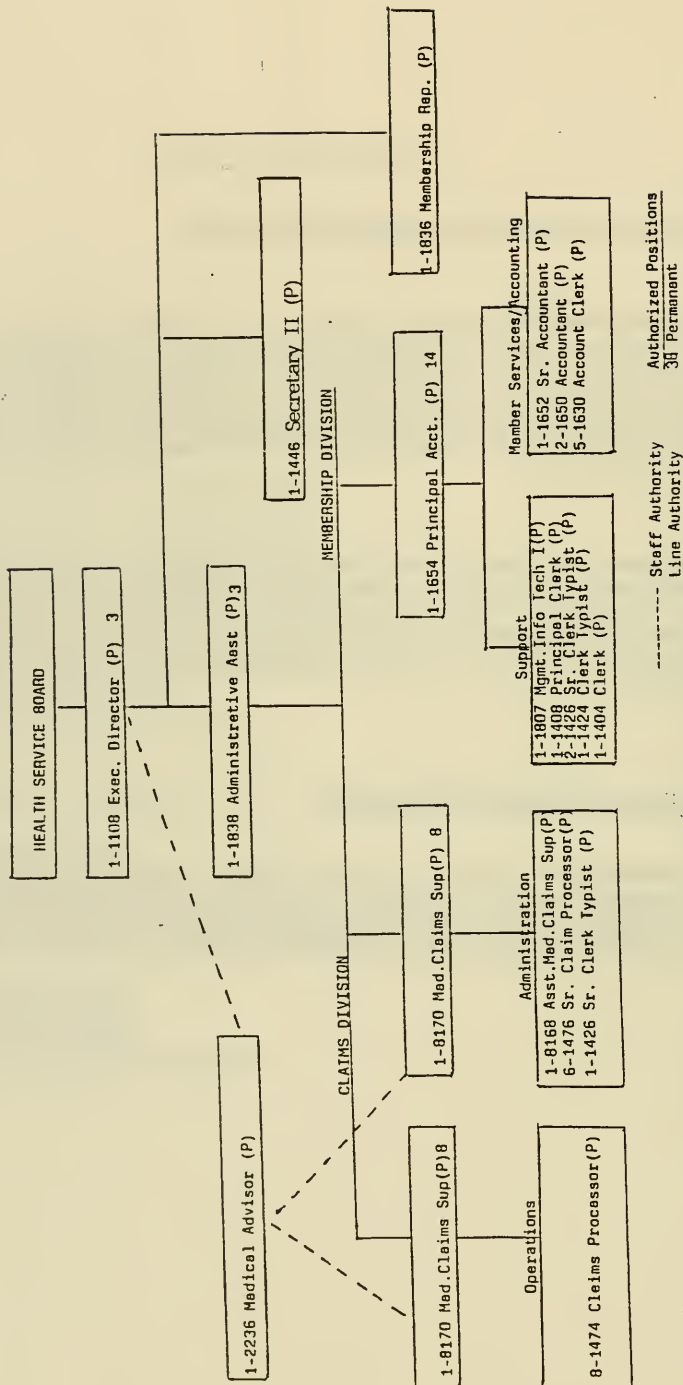
The Health Service System was established by Charter Amendment in March of 1937 and has been conducting business officially since October, 1938. The Health Service System was the culmination of several years of effort on the part of employees of the City and of the Board of Education to secure a workable low cost method of group health protection for themselves and their dependents. The Health Service System became a department of the City and County of San Francisco in 1961.

The System was unique when it was established because it provided for a self-funded medical plan to provide medical protection to 10,293 employees and 5,577 dependents. Today, it is one of the largest county or municipal plans in the United States handling its medical program on a self-funded and self-administered basis with 43,933 active and retired employees and 38,668 dependents as of June 30, 1989.

II. ORGANIZATIONAL COMPOSITION

The Health Service System is administered by the Health Service Board through its Executive Director. The System is organizationally divided into three divisions: Administration, Membership and Medical Claims. The department had a total of 38 permanent positions in the 1988-89 fiscal year.

HEALTH SERVICE SYSTEM
TABLE OF ORGANIZATION
FISCAL 1988-89



III. HEALTH SERVICE SYSTEM COMPARISON OF EXPENDITURES FISCAL YEARS 1988-1989 AND 1987-88

	1988 - 1989			1987 - 1988				
	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL
001 Permanent Salaries-Misc.	138,485	346,039	512,165	996,689	110,519	339,238	495,168	944,925
010 Overtime	510	543	383	1,436	197	291	-0-	488
020 Temporary Salaries	-0-	-0-	-0-	-0-	-0-	-0-	2,317	2,317
060 Mandatory Frings Benefits	32,226	94,919	139,794	266,939	30,818	98,333	141,177	270,328
106 DP/MP Equipment Maint.	2,551	23,113	32,119	57,783	1,165	17,978	42,519	61,662
109 Other Contractual Services	997	-0-	153,627	154,624	3,506	1,805	125,379	130,690
120 Other Services	18,209	24,261	36,214	78,684	22,089	13,807	12,080	47,976
130 Materials & Supplies	541	8,883	5,254	14,678				
145 Judgements-Claims	-0-	-0-	1,101	1,101	1,711	10,634	6,463	18,808
146 Rental of Property	107,052	-0-	-0-	107,052	91,728	-0-	-0-	91,728
220 Equipment Purchase	-0-	-0-	-0-	-0-	-0-	1,701	383	2,084
303 Real Estate	1,010	-0-	-0-	1,010	1,040	-0-	-0-	1,040
313 Civil Service Mgmt. Training	-0-	-0-	-0-	-0-	297	-0-	-0-	297
320 Engineering	133	-0-	-0-	133				
329 Registrar of Voters	-0-	-0-	-0-	-0-	5,462	-0-	-0-	5,462
330 Light, Heat & Power	7,738	-0-	-0-	7,738	-0-	-0-	-0-	-0-
340 Controller's - EDP	-0-	83,208	27,219	110,427	-0-	433,807	52,860	486,667
350 Printing & Reproduction	936	11,305	1,712	13,953	300	3,002	900	4,202
351 City Mail Services	21,092	-0-	-0-	21,092	14,632	-0-	-0-	14,632
365 CAO-Ins. & Risk Reduc.	750	-0-	-0-	750	482	-0-	-0-	482
370 Workmen's Comp.	2,408	-0-	-0-	2,408	3,128	-0-	-0-	3,128
339 Controller-Audit	19,000	-0-	-0-	19,000	17,000	-0-	-0-	17,000
420 Legal Service-City Atty.	28,718	-0-	-0-	28,718	22,029	-0-	-0-	22,029
	382,356	592,271	909,588	1,884,215	326,103	920,596	879,246	2,125,945

IV. HEALTH SERVICE BOARD

Charter Section 3.680 provides for the establishment of a Health Service Board and Section 3.681 delineates the power and duties of the Board. The Health Service Board is charged with the fiduciary responsibility of maintaining the financial integrity of the Health Service System Trust Fund and of adopting a health plan or plans for the rendering of medical care to members of the System with the ultimate objective of providing the most comprehensive medical coverage possible at the most reasonable cost to all its members.

The Board is composed of seven members; three members elected from the membership at large, two ex-officio members from City government, and two members appointed by the Mayor. The mayoral appointees represent expertise from the insurance profession and from the medical profession. Members of the Board during the 1988-89 fiscal year were:

Employee Members: Harry Paretchan, Vice President
Fire Department (Term expires May 15, 1991)

Claire Zvanski, Commissioner
Municipal Railway (Term expires May 15, 1993)

James M. Deignan, Commissioner
Police Department (Term expires May 15, 1994)

Ex-Officio Members: John L. Molinari, Chair
Finance Committee, Board of Supervisors
(Term ended January, 1989)

Nancy Walker, Chair
Finance Committee, Board of
Supervisors (Term began January, 1989)

George E. Krueger, Commissioner
Representing City Attorney

Appointed members: Abraham Bernstein, M.D., President
Physician (Term expires May 15, 1992)

The Board's major functions and responsibilities consist of many comprehensive activities:

1. Determine policies relative to the management and administration of the Health Service System.
2. Oversee all operations to be certain they are in conformance with the provisions of the trust (as provided by the Charter), the plan of benefits, the laws pertaining to health and welfare trusts, and the decisions of the trustees as recorded in the minutes of Board meetings.
3. Determine and approve a budget for administration of the Health Service System.
4. Establish the level of benefits the fund can afford, which involves a number of interrelated problems such as:
 - a. Estimating the fund's probable income from all sources.
 - b. Estimating the fund's expenses.
 - c. Determining the desired level of the various reserves and the desired speed of reserve accumulation.
 - d. Determining eligibility rules.
 - e. Estimating the amount of money available for benefits.
 - f. Estimating the number of employees who will be eligible.
 - g. Calculating the amount of money available for benefits for each employee and his or her dependents.
 - h. Selecting the most desirable combination of benefits that can be provided.
 - i. Fixing rates of contributions for members.
5. Approval of contractual obligations and transfer and appropriation of funds.
6. Attend Board and Committee meetings and see to it that minutes are accurate and complete.
7. Determine whether or not the fund will self-insure or utilize the services of an insurance company.
8. Establish the fund's investment policy.
9. Establish employee delinquency procedures.
10. Hear grievances from employees.
11. Report to the employees and to the employer concerning the operation of the fund.
12. Selection of advisors. Advisors may include among others: a consulting actuary, attorney, auditor, benefits consultant and investment advisor.
13. Review of the performance of the administrator and all advisors to the trustees.

V. ADMINISTRATION DIVISION

A. Responsibilities:

The Administration Division is responsible for the following functions:

- . Administer health, dental and disability insurance system for all eligible City, School District and Community College District employees, active and retired, and their dependents
- . Plan, organize, actuate and control management policies
- . Implement Health Service Board policies and programs
- . Conduct Board and Committee meetings
- . Prepare and maintain Board calendars, minutes, records, and reports
- . Determine personnel and budget requirements
- . Provide liaison with City departments and other agencies
- . Develop plans and programs
- . Conduct Health Service surveys and investigations
- . Manage Health Service Trust Fund
- . Provide personnel and payroll services

B. Rules and Regulation Changes:

The Health Service Board, through its committee structure, reviewed the Rules and Regulations of the System during 1988-89 to ensure that they were in conformance with current practice, Charter changes and State and Federal Laws as well as serving the needs of City employees while protecting the integrity of the System.

A complete and updated text of the current Rules and Regulations of the System are printed on the Comparison of Health Plans brochure which is published and distributed in May of each year to every active and retired employee member. Individual benefit plan booklets detailing the specific benefits of each plan are also made available to members of each plan as well as to members at large.

The Board adopted or modified a number of rules during this fiscal year. Those rules of significance adopted or amended were as follows:

- . The adoption of an Internal Revenue Service Section 125 Plan and the incorporation of the Plan Document into the Rules and Regulations.
- . Elimination of all restrictions on the right of retirees to add eligible dependents to the System under the same conditions as active employees.
- . Imposition of requirement that children between twenty-three (23) and twenty-five (25) years of age be full time college students in order to maintain dependent eligibility in the System.
- . Clarification that eligible dependents entering the United States are subject to the same 30-day waiting period after application as children for whom the member has acquired physical custody.

C. Benefit Plans:

The 1988-89 fiscal year saw a significant expansion in employee benefit plans with the inclusion of an Internal Revenue Service Section 125 Flexible Benefit Plan which included the offering of three dental plans and a short term disability plan for the first time.

The Section 125 Plan allows an employee to enter into a salary reduction agreement with the employer thereby allowing the employee to pay any benefit plan premiums which they may be obligated to pay on a pre-tax rather than on a post-tax basis as is customary.

This program provided a tremendous tax savings to the many employees who are participating in the Plan considering that the City pays no portion of dependent's medical premiums, nor does it provide employer paid dental coverage.

The three dental plans added to the benefit program effective December 1, 1988, were the Colonial, DentiCare and Safeguard Dental Plans.

The Colonial Dental Plan is underwritten by Colonial Life & Accident Insurance Company and is an indemnity fee for service dental plan. Employees have a free choice of dentist and are indemnified for services rendered based on a percentage reimbursement schedule.

The DentiCare and Safeguard Dental Plans are prepaid capitated programs. These plans are distinguished from the indemnity plan by their lower premium schedule and by the fact that there are nominal or no copayments required for services provided. The patient must, however, select a participating dentist and receive all dental services from that provider with the exception of specialty service referrals.

This type of plan is characterized by payment to the participating dentist of a set monthly fee or capitation per patient in exchange for the dentist providing all necessary services to each covered patient.

The short term disability plan offered is underwritten by Colonial Life & Accident Insurance Company. It provides disability benefits for up to one year after accident or sickness.

The accident plan provides lump sum benefits for specific injuries/services such as fractures, dislocations, cuts and burns, as well as hospital confinement and death and dismemberment benefits. The accident benefits are paid beginning with the first day of accidental injury.

Sickness disability benefits are payable on the 15th day of disability. If the sickness is severe enough to require hospitalization, the benefits begin on the 1st day of disability.

A choice of seven health plans were offered to the membership for the third straight year during the 1988-89 fiscal year:

Plan I, the City Health Plan; Plan II, Kaiser Permanente Health Plan; Plan III, Bridgeway Health Plan (formerly Children's Hospital Health Plan); Plan IV, French Health Plan; Plan V, Bay Pacific Health Plan; Plan VI, Heals Health Plan; and Plan VII, Maxicare Health Plan. These seven plans provided a balanced selection of health plan options.

Plan I, the City Health Plan is a fee for service indemnity health plan providing a free choice of covered medical providers. In addition, a Preferred Provider Program was included under the plan for the fifth year.

A Preferred Provider Program is one in which the Health Service System enters into agreements with selected hospitals, physicians and other health professionals to provide medical services to employees and dependents on a discounted fee basis. Members of the health plan are then given economic incentives to utilize selected physicians, hospitals and other health care professionals when requiring medical care.

The program is characterized by tight utilization control of hospital admissions and the employer fund receiving reduced fees with the participating physicians and hospitals expanding their patient base.

The System currently has agreements with seventeen hospitals and over 1,500 physicians and other health care professionals in the Bay Area. An agreement also continues with a hospital and its physicians in Tuolumne County to cover employees who work for the Public Utilities Commission at Hetch Hetchy.

The System also offered six alternative health maintenance organizations for employees to select.

A health maintenance organization provides a comprehensive set of plan benefits including hospital, surgical and medical care for a prepaid amount of cost. There is usually no cost or only small copayments required when seeking medical care from plan providers.

Plan II Kaiser Health Plan, Plan III Bridgeway Health Plan and Plan IV French Health Plan are group or staff prepaid health maintenance organizations which are hospital based although Bridgeway offers an IPA model option. Plan V, Bay Pacific Health Plan, and Plan VI, Heals Health Plan arrange for the provision of health care through an individual practice association (IPA) HMO model which provides physician services primarily from individual private practice physician offices. Plan VII, Maxicare Health Plan is a network model health maintenance organization providing services through individual practice associations, however, it primarily provides services through medical groups (a number of primary physicians practicing together at a single site).

The Kaiser plan has been offered to City employees since 1949; Bridgeway Health Plan since 1978; the Bay Pacific and French Plans since 1981, and the Heals and Maxicare Health Plans have been offered since 1986.

The Maxicare Health Plan has been discontinued as of July 1, 1989, because of membership service problems and its Chapter 11 bankruptcy filing. The French Health Plan was acquired by the Kaiser Permanente Health Plan as of August 1, 1989. Members of these plans were given an opportunity to transfer to another health plan offered by the System.

D. City Fiscal Contribution:

Effective July 1, 1988, the City and County of San Francisco, School District and Community College District contributed \$106.13 per month for each eligible active employee into the Health Service Trust Fund. This amount represented an increase of \$13.89 per month or 15.1% above the employer's contribution for the previous fiscal year and represented 100% of the average being contributed by the ten (10) most populous counties in the State of California as determined by survey conducted pursuant to Charter Section 8.423. The employer contribution is based on the employee only contribution of other counties and does not include any consideration of what another county might contribute toward dependent's health premiums.

The City, School District and Community College District also subsidize the cost of retired employees health coverage. The Charter requires that retired employees not pay more out of pocket each month than an active employee, and that the City contribute the funds necessary to defray the difference in cost to provide the same health coverage to retired employees as is provided to active employees. The amount that the employer must contribute will therefore fluctuate because of the different rates for each plan.

The Charter also provides that retired persons shall have their medical contributions reduced by the amount they must pay Medicare. Hence, a retired person in Medicare will have his Health Service medical contributions reduced by the Medicare contribution for that year. The Medicare cost during the 1988-89 fiscal year was \$24.80 per month.

The Health Service Board adopted a rule in March 1975, later amended several times which provides that:

All members and dependents who attain age 65 and who qualify for eligibility in the Part A (HOSPITAL) portion of Medicare on a non-contributory basis must enroll to remain a member of the Health Service System.

Retired members and their dependents who qualify for Part A on a non-contributory basis must enroll in the Part B (Medical) portion of Medicare to remain a member of the Health Service System.

All retired members and their dependents who qualify for early Social Security, and thereby become eligible for Medicare Part A and B portions, must enroll to remain a member of the Health Service System.

Active employees and their dependents over the age of 65 must enroll in the Part B (MEDICAL) portion of Medicare upon retirement if eligible for Part A on a non-contributory basis.

This rule provision has saved the City and County millions of dollars in additional health insurance costs for retired employees over the years it has been in effect. It will continue to save many more dollars in future years even with the Federal Government's efforts to cut and shift costs of the Medicare program from the government to Medicare beneficiaries and their former employers.

A cost reduction to the employer of approximately \$11.5 million was generated in the 1988-89 fiscal year alone because of Medicare membership. The establishment of Medicare as the primary source of financial responsibility allows all health plans to provide their services to retired employees, and the City at a lower rate. The number of retired employees and dependents over 65 years without Medicare coverage continues to decline each year as the pre-1975 retirees leave the System.

E. Financial Status

The Health Service System ended the 1988-89 fiscal year in a strong financial condition reversing a decline in net assets which had occurred for three straight years. The net assets of the System available for health benefits at close of business on June 30, 1989 were \$7.2 million which represented an increase of about \$5.8 million over the net assets available on June 30, 1988.

The revenues for the fiscal year amounted to \$87.9 million of which 62.6% or \$55.0 million were contributed by the City, School District and Community College District and 36.3% or \$31.9 million were contributed by employees. In addition, \$1.0 million was collected in interest earnings on the reserves and assets of the System.

The expenditures of the System included approximately \$31.5 million in benefits under the City Health Plan and \$51.5 million in premium payments to benefit plan contractors.

The Statements of Net Assets Available for Health Benefits, the Statements of Changes in Net Assets, and the Investment Report as of close of business June 30, 1989 follow and are incorporated as part of this report.

SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM

Statements of Net Assets
Available for Health Benefits

June 30, 1989 and 1988

	<u>1989</u>	<u>1988</u>
Assets:		
Equity in treasurer's cash	\$ 15,781,748	9,169,554
Contributions due from the City and County	-	938,323
Contributions receivable from City and County agency funds	2,634,743	2,166,120
Interest receivable	235,921	169,789
Accounts receivable	<u>9,055</u>	<u>3,490</u>
Total assets	<u>18,661,467</u>	<u>12,447,276</u>
Liabilities:		
Due to City and County	400,865	-
Reserves for claims - Plan I	6,697,000	6,843,500
Health maintenance organization premiums payable	1,939,042	1,272,971
Unearned contributions	<u>2,458,517</u>	<u>2,948,192</u>
Total liabilities	<u>11,495,424</u>	<u>11,064,663</u>
Net assets available for health benefits	\$ <u><u>7,166,043</u></u>	<u><u>1,382,613</u></u>

SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM

Statements of Changes in Net Assets
Available for Health Benefits

Years ended June 30, 1989 and 1988

	<u>1989</u>	<u>1988</u>
Additions to plan assets:		
Employee contributions	\$ 31,922,754	26,156,489
Employer contributions for:		
Active employees	37,970,578	33,449,744
Retired employees	16,925,293	14,024,379
Interest income	<u>1,074,089</u>	<u>921,086</u>
Total additions	<u>87,892,714</u>	<u>74,551,698</u>
Deductions from plan assets:		
Plan I benefit expense	30,557,377	31,802,466
Health maintenance		
organization plan expense	51,546,215	43,588,756
Other expenditures	<u>5,692</u>	<u>-</u>
Total deductions	<u>82,109,284</u>	<u>75,391,222</u>
Increase (decrease) in net assets available for health benefits	5,783,430	(839,524)
Net assets available for health benefits:		
Beginning of year	<u>1,382,613</u>	<u>2,222,137</u>
End of year	\$ <u><u>7,166,043</u></u>	<u><u>1,382,613</u></u>

HEALTH SERVICE SYSTEM TRUST FUND
As of June 30, 1989

POOLED CASH INVESTMENT REPORT

	<u>CASH BALANCE</u> <u>AS OF MONTH END</u>		<u>POOLED CASH</u> <u>AVG. CURRENT YIELD</u>		<u>INTEREST EARNED</u> <u>TO DATE</u>		
	<u>1987-88</u>	<u>1988-89</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1987-88</u>	<u>1988-89</u>	
						<u>MONTH</u>	<u>YTD</u>
JULY	\$12,904,049	\$8,232,070	8.29%	9.02%	\$89,195.95	\$ 62,122.87	\$ 62,122.87
AUGUST	15,603,058	9,702,951	8.08	10.01	194,771.78	81,803.48	143,926.35
SEPTEMBER	11,125,041	14,637,152	9.34	8.00	282,247.45	98,094.54	242,020.89
OCTOBER	16,837,733	11,100,207	9.74	9.02	419,903.21	83,955.11	325,976.00
NOVEMBER	8,389.910	11,693,252.	9.55	8.11	480,303.51	78,983.50	404,959.50
DECEMBER	8,148.882	12,686,400	7.89	7.93	534,383.27	83,978.10	488,937.60
JANUARY	8,905,145	13,328,693	9.32	8.50	604,527.62	95,019.19	583,956.79
FEBRUARY	8,104,166	14,107,443	8.53	7.61	662,188.01	90,188.96	674,145.75
MARCH	11,454,792	15,543,757	8.96	8.59	748,060.55	112,003.04	786,148.79
APRIL	9,648,026	14,962,282	7.27	8.55	807,036.16	107,320.94	893,469.73
MAY	8,674,294	12,278,291	7.50	8.95	861,253.11	92,716.70	986,186.43
JUNE	8,654,246	12,236,656	8.24	8.58	921,086.04	87,903.46	1,074,089.89

VI. MEMBERSHIP DIVISION

A. Responsibilities:

The Membership Division is comprised of sixteen positions and is charged with the following responsibilities:

- . Maintain membership records for all employees and dependents
- . Collect, reconcile and disburse premium contributions
- . Maintain accounting functions
- . Prepare financial reports and provide budgetary services
- . Process and counsel new and existing members
- . Provide mail, reproduction and clerical support services
- . Provide accounts receivable services
- . Provide purchasing services

B. Membership Statistics

The Membership Division accounted for \$87.9 million in revenues in 1988-89 which were collected, reconciled and disbursed to the various benefit plans.

The System had a total membership of 82,601 individuals as of July 1, 1989 including 31,907 active employees, 12,026 retired employees, 38,216 dependents and 452 former employees and dependents continuing coverage under the federal health insurance continuation law known as COBRA.

These membership totals represented a net increase of 23 active employees and 287 retired employees, and a decrease of 23 dependents and COBRA participants over total membership on June 30, 1988. The Membership Statistical Report as of July 1, 1989 is incorporated as part of this report and includes demographic reports on the composition of each health plan.

The Division also processed 13,571 enrollments and 12,630 terminations during the fiscal year. Exhibits reflecting the enrollment activity during the year and during the annual open enrollment period are incorporated as part of this report.

C I T Y H E A L T H S E R V I C E S Y S T E M
A N D C O U N T Y O F S A N F R A N C I S C O
MEMBERSHIP MASTER REPORT - 7/1/89

MEMBERSHIP STATUS	CITY - ADM.	KATSEP	CHILDREN'S	FRENCH	BAY PACIFIC	HEALS	MAXICARE	EXEMPT	TOTAL
ACTIVE EMPLOYEES	7,297	1,296	3,205	1,343	3,462	1,346		889	31,907
RETIRED EMPLOYEES									
NO MEDICARE	1,494	1,017	150	59	165	19			3,834
PART A	1-0	43	9	2	0				205
PART B	79	57	3			1			141
MEDICARE	4,293	2,943	204	79	142	15			7,676
SUB TOTALS	6,006	4,965	356	141	314	34			11,826
RESIGNED EMPLOYEES									
NO MEDICARE	4		1						5
PART A	5								5
PART B	7	3				1			11
MEDICARE	129	40	1	2	7				179
SUB TOTALS	145	43	2	2	8				200
SURVIVING SPOUSE									
NO MEDICARE	210	234	15	0	25				498
PART A	4	5							14
PART B	12	7							19
MEDICARE	833	458	17	11	21	1			1,361
SUB TOTALS	1,072	704	32	17	46	1			1,872
COSRA PARTICIPANTS	115	132	25	10	34	3			324
ADULT DEPENDENTS OF ACTIVE EMPLOYEES	2,505	4,660	987	256	1,244	400			10,052
ADULT DEPENDENTS OF RETIRED EMPLOYEES									
NO MEDICARE	1,021	1,220	57	15	65	6			2,384
PART A	11	9			1				21
PART B	12	16							28
MEDICARE	1,134	975	33	19	33	5			2,269
SUB TOTALS	2,228	2,220	90	34	99	11			4,682
ADULT DEPENDENTS OF RESIGNED EMPLOYEES									
NO MEDICARE	1								1
PART A									
PART B	1								1
MEDICARE	8	5			1				14
SUB TOTALS	10	5			1				16
ADULT DEPENDENTS OF COSRA	14	15	6	3	6	1			43

HS0167 HEALTH SERVICE SYSTEM
CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP PASTER REPORT - 7/1/89

MEMBERSHIP STATUS	CITY - ADM.	KAISER	CHILDREN'S	FRENCH	BAY PACIFIC	HEALS	MAXICARE	EXEMPT	TOTAL
MINOR DEPNs OF ACTIVE EMPLOYEES	4,049	10,113	2,140	518	2,632	805			20,297
MINOR DEPNs OF RETIRED EMPLOYEES	330	695	32	15	29	5			1,106
MINOR DEPNs OF RESIGNED EMPLOYEES	3								3
MINOR DEPNs OF SURVIVING SPOUSE	50	120	6	3	9				188
MINOR DEPENDENTS OF COBRA	28	30	8	4	13	2			35
HEALTH PLAN TOTALS	23,292	33,063	6,899	2,346	7,897	2,615		889	82,601

MS0167

H E A L T H S E R V I C E S Y S T E M C I T Y A N D C O U N T Y O F S A N F R A N C I S C O MEMBERSHIP MASTER REPORT - 7/1/89						
MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	SAFEGUARD II	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	2,646	1,509	3,880	375	8,401	5,994
RETIRED EMPLOYEES						
NO MEDICARE	195	226	288	52	761	
PART A	4	14	10	1	29	
PART B	5	5	2	3	15	
MEDICARE	285	539	380	89	1,293	
SUB TOTALS	489	764	680	145	2,098	
RESIGNED EMPLOYEES						
NO MEDICARE						
PART A			1		1	
PART B		5			5	
MEDICARE		5	1		6	
SUB TOTALS						
SURVIVING SPOUSE						
NO MEDICARE	23	39	40	2	104	
PART A		2			2	
PART B	1	1			2	
MEDICARE	40	65	50	9	164	
SUB TOTALS	64	107	90	11	272	
COBRA PARTICIPANTS	5	11	6	3	25	
DENTAL PLAN TOTALS	3,204	2,407	4,657	534	10,802	5,994

EMPLOYEE MEMBERS

	CITY - ADH.		KAISER		BRIDGEWAY		FRENCH		BAY PACIFIC		HEALS	
	M	F	M	F	M	F	M	F	M	F	M	F
TOTALS	4,079	3,333	8,429	6,066	1,634	1,596	682	671	1,946	1,550	705	651
PLAN TOTALS	7,412		14,495		3,230		1,353		3,496		1,356	
AVERAGE AGE	45.85		44.43		40.96		42.73		41.43		40.01	
MEDIAN AGE	45		44		40		41		40		39	

RETIRED AND RESIGNED

TOTALS	3,698	2,467	3,510	1,511	214	160	86	60	188	140	22	13
NO MED OVER 65	84	57	230	98	7	10	5	5	3	6	2	1
PLAN TOTALS	6,165		5,021		374		146		328		35	
AVERAGE AGE	70.80		68.32		66.91		66.51		65.49		62.66	
MEDIAN AGE	70		68		66		67		64		63	

ADULT DEPENDENTS-ACTIVE EMPLOYEES

TOTALS	694	1,811	1,127	3,533	315	672	90	166	391	853	118	282
PLAN TOTALS	2,505		4,660		987		256		1,244		400	
AVERAGE AGE	45.55		44.20		40.10		42.69		40.16		38.53	
MEDIAN AGE	45		43		38		41		39		37	

ADULT DEPENDENTS-RETIRED & RESIGNED

TOTALS	201	2,037	163	2,062	7	83	3	31	15	85	11	
NO MED OVER 65	1	27	6	60	1				2		1	
PLAN TOTALS	2,238		2,225		90		34		100		11	
AVERAGE AGE	64.94		63.37		62.28		61.06		59.70		59.73	
MEDIAN AGE	65		64		62		65		61		65	

HEALTH SERVICE SYSTEM
MEMBERSHIP AGE STATISTICS 07/01/89

SURVIVING SPOUSE

	CITY - ADM.		KAISER		BRIDGEWAY		FRENCH		BAY PACIFIC		HEALS	
	M	F	M	F	M	F	M	F	M	F	M	F
TOTALS	28	1,044	29	675	1	31	2	15	2	44		1
NO HED OVER 65		23	1	27		1		1				
PLAN TOTALS	1,072		704		32		17		46		1	
AVERAGE AGE	73.10		69.19		68.41		67.88		63.48		69.00	
MEDIAN AGE	74		71		71		71		62		69	

MINOR DEPENDENTS

	2,272	2,228	5,602	5,356	1,093	1,093	264	276	1,419	1,264	404	408
TOTALS												
PLAN TOTALS	4,500		10,958		2,186		540		2,683		812	
AVERAGE AGE	13.44		13.53		10.46		11.91		9.69		9.32	
MEDIAN AGE	14		14		9		12		9		8	

NON-MEMBER EXEMPT EMPLOYEES

TOTALS	409	480
PLAN TOTALS	889	
AVERAGE AGE	45.91	
MEDIAN AGE	45	

HEALTH SERVICE SYSTEM

ENROLLMENT AND TERMINATION REPORT FOR FISCAL YEAR 1988-89

	<u>CITY PLAN</u>	<u>KAISER</u>	<u>BRIDGEWAY</u>	<u>FRENCH</u>	<u>BAY PACIFIC</u>	<u>HEALS</u>	<u>MAXICARE</u>	<u>EXEMPT</u>	<u>ALL PLANS</u>
<u>MEMBERS</u>									
NEW	1,274	2,286	968	252	892	787	120	230	6,809
TERMINATED	1,649	1,638	376	393	512	173	934	270	5,945
TOTAL	-375	648	592	-141	380	614	-814	-40	864
<u>DEPENDENTS</u>									
NEW	1,255	2,492	1,025	175	1,003	716	96		6,762
TERMINATED	1,967	2,454	485	256	664	199	660		6,685
TOTAL	-712	38	540	-81	339	517	-564		77
<u>GRAND TOTAL</u>	-1,087	686	1,132	-222	719	1,131	-1,378	-40	941

MAY OPEN ENROLLMENT SUMMARY COMPARISON

	<u>1989</u> <u>COMPARISON</u>	<u>1988</u> <u>COMPARISON</u>	<u>1987</u> <u>COMPARISON</u>	<u>1986</u> <u>COMPARISON</u>
CITY PLAN				
Employees	(266)	(802)	(20)	(30)
Dependent	(355)	(880)	(6)	(63)
New Dependents	286	247	439	387
Dependents Cancelled	<u>(120)</u>	<u>(118)</u>	<u>(79)</u>	<u>(64)</u>
Net Gain/Loss	(455)	(1,553)	334	230
KAISER				
Employees	174	(58)	(233)	(460)
Dependent	161	682	(131)	(289)
New Dependents	631	610	702	616
Dependents Cancelled	<u>(147)</u>	<u>(106)</u>	<u>(104)</u>	<u>(131)</u>
Net Gain/Loss	819	528	234	(264)
BRIDGEWAY				
Employees	418	317	138	167
Dependent	300	207	14	36
New Dependents	183	169	137	168
Dependents Cancelled	<u>(54)</u>	<u>(20)</u>	<u>(33)</u>	<u>(24)</u>
Net Gain/Loss	847	673	256	(347)
FRENCH				
Employees	(135)	(192)	(144)	(67)
Dependent	(72)	(43)	54	11
New Dependents	33	39	74	72
Dependents Cancelled	<u>(27)</u>	<u>(14)</u>	<u>(7)</u>	<u>(11)</u>
Net Gain/Loss	(201)	(210)	(131)	5
BAY PACIFIC				
Employees	225	460	27	32
Dependent	137	375	(30)	(33)
New Dependents	199	214	185	154
Dependents Cancelled	<u>(41)</u>	<u>(46)</u>	<u>(26)</u>	<u>(36)</u>
Net Gain/Loss	520	1,003	156	117
HEALS				
Employees	500	178	151	291
Dependent	354	161	72	224
New Dependents	127	55	56	68
Dependents Cancelled	<u>(11)</u>	<u>(2)</u>	<u>(3)</u>	<u>-</u>
Net Gain/Loss	970	392	276	583
MAXICARE				
Employees	(855)	194	258	208
Dependent	-	98	151	114
New Dependents	-	45	68	45
Dependents Cancelled	<u>(545)</u>	<u>(8)</u>	<u>(7)</u>	<u>-</u>
Net Gain/Loss	1,400	329	470	367
EXEMPT				
NEW EMPLOYEES	(61)	(97)	(177)	(141)
	<u>1,039</u>	<u>1,065</u>	<u>1,418</u>	<u>1,288</u>

SUMMARY OF 1988-89 OPEN ENROLLMENT CHANGES

EMPLOYEES FROM :

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
T O :										
PLAN 1	122		33	23	93	25	191	17	517	236-
PLAN 2	235		62	59	79	27	144	43	649	174
PLAN 3	204	125		101	50	7	61	8	576	416
PLAN 4	22	34	10		9	4	21	3	103	135-
PLAN 5	182	81	23	20		8	174	19	507	225
PLAN 6	116	104	23	34	51		231	12	571	500
PLAN 7										855-
PLAN E	24	9	2	1			5		41	61-
TOTAL	783	475	158	238	262	71	655	102	2964	

DEPENDENTS FROM :

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
T O :											
PLAN 1	78		34	11	91	9	102	236	517	189-	455-
PLAN 2	175		62	26	43	20	83	631	1040	665	219
PLAN 3	202	58		45	57	6	55	133	606	429	347
PLAN 4	7	18	2		3		12	33	75	56-	201-
PLAN 5	192	40	10	7		10	129	199	537	295	520
PLAN 6	110	54	15	25	57		138	127	526	470	970
PLAN 7										565-	1403-
PLAN E											61-
CANCEL	120	147	54	27	41	11	23		420		
TOTAL	806	395	177	141	292	56	545	1459	3871		

VII. MEDICAL CLAIMS DIVISION

A. Responsibilities:

The Medical Claims Division is comprised of nineteen positions and is responsible for the following:

- . Process all medical claims and maintain records for members of the City Health Plan
- . Calculate and disburse benefit payments to members and providers
- . Respond to all claim benefit inquiries from members and providers
- . Provide supplemental health plan to Medicare for retired members
- . Coordinate third party liability recoveries from third party payors
- . Coordinate workers' compensation lien recoveries
- . Coordinate benefits with other group health insurance carriers.

B. Claim Statistics

The health plan paid out a total of \$31.1 million in benefits to or on behalf of plan members during the 1988-89 fiscal year. The claims experience report of the Plan is incorporated as part of this report.

The Division received over 204,362 claims during the year and processed 179,663 for benefits with an average turnaround time of 9.75 days. The number of claims received increased approximately 1.8% over the 1987-88 total of 200,729.

The Preferred Provider program completed its fifth year and continued to be well received by members. The percentage of physician services provided by preferred providers has climbed from 44% in 1984-85 to 71% by the end of the 1988-89 fiscal year. Inpatient hospital admissions at preferred hospitals has climbed from 47% in 1984-85 to 70% of all admissions in 1988-89.

The percentage of total claim expenditures for hospitalization increased for the first time since the 1982-83 fiscal year to 37% of all expenditures from 35% in 1987-88.

REPORT BY ACTUARY ON CASH BASIS FOR THE JULY 18, 1989

MEETING OF THE HEALTH SERVICE BOARD

PLAN I

Experience for the period July 1, 1988 through June 30, 1989

	<u>CONTRIBUTIONS</u>	<u>CLAIMS</u>	<u>LOSS RATIO</u>	
			<u>FOR MONTH</u>	<u>CUMULATIVE</u>
(1) <u>MEDICAL BENEFITS</u>				
Active Employees	\$ 10,850,593	\$ 11,204,771	92%	103%
Retired Employees (NM)	4,596,856	3,929,480	103	85
Retired Employees (M)	3,883,059	2,518,546	62	65
Adult Dependents (NM)	5,040,175	5,227,975	105	104
Adult Dependents (M)	614,210	490,056	73	80
Minor Dependents	<u>2,708,846^a</u>	<u>2,848,226</u>	<u>104</u>	<u>105</u>
TOTAL	\$ 27,693,739	\$ 26,219,053	92%	95%
(2) <u>PRESCRIPTION DRUG BENEFIT</u>				
Active Employees	\$ 1,264,999	\$ 1,589,240	114%	126%
Retired Employees (NM)	637,431	697,053	102	109
Retired Employees (M)	<u>1,852,124</u>	<u>1,805,233</u>	<u>87</u>	<u>97</u>
TOTAL	\$ 3,754,554	\$ 4,091,526	98%	109%
(3) <u>VISION CARE COVERAGES</u>				
Active Employees	\$ 455,333	\$ 476,081	128%	105%
Retired Employees (NM)	126,961	120,272	110	95
Retired Employees (M)	<u>358,264</u>	<u>242,595</u>	<u>75</u>	<u>68</u>
TOTAL	\$ 940,558	\$ 838,948	105%	89%
(4) <u>ALL COVERAGES</u>				
Active Employees	\$ 12,570,925	\$ 13,270,092	95%	106%
Retired Employees (NM)	5,361,248	4,746,805	103	89
Retired Employees (M)	6,093,447	4,566,374	71	75
Adult Dependents (NM)	5,040,175	5,227,975	105	104
Adult Dependents (M)	614,210	490,056	73	80
Minor Dependents	<u>2,708,846</u>	<u>2,848,226</u>	<u>104</u>	<u>105</u>
TOTAL	\$ 32,388,851	\$ 31,149,527	94%	96%

^a Includes \$600,000 of interest subsidy.

CITY HEALTH PLAN I
EXPENDITURES BY MODALITY OF SERVICE

	1988-89	%	1987-88	%	1986-87	%
Ambulatory Surgery Facility	1,020,826		906,622		696,294	
Hospital Emergency Room	830,534		933,039		787,223	
Inpatient Hospital	9,386,514		8,922,351		9,218,286	
Inpatient Psychiatric	153,527		178,593		113,806	
Inpatient Chemical Detox	137,131		209,460		100,350	
Hospitalization		37%	11,150,065	35	10,915,959	37%
Medical Visits	3,455,050	11	3,347,050	12	3,406,727	12%
	671,807		3,604,978		3,571,949	
Surgery			666,110		647,014	
Anesthesiology		13	4,271,088	13	4,218,963	14%
Surgical						
Acupuncture	108,412		106,422		90,636	
Lab/X-ray	3,487,787		3,506,411 (11%)		3,037,918 (16.4%)	
Psychiatric	624,703		604,306 (1.9%)		521,785 (1.8%)	
Medical Supplies & Equipment	175,018		162,146		120,443	
X-Ray Therapy	272,172		219,340		219,898	
Dental	87,429		81,298		57,593	
Nursing Services	186,572		358,644		481,534	
Physical Therapy	582,078		592,316		452,998	
Chiropractic	331,911		295,366		235,126	
Ambulance	141,232		116,612		116,786	
All other services	1,222,300		917,636 (2.9%)		992,869 (3.4%)	
Other		23	6,960,497	22	6,327,586	22%
Prescription Drugs		13	4,630,174	15	3,416,752	12%
Vision Care		3	968,998	3	879,770	3%
Total Expenditures		100%	31,754,653	100%	29,165,758	100%
			25,040			
AVERAGE LIVES COVERED			23,892		27,007	

C. ACTUARIAL STATUS

Rael & Letson, as Consulting Actuary for the Health Service System, assists the Board in maintaining a sound actuarial position for the System. As part of their duties, they establish the contribution rates for City Health Plan I Medical benefits, the Prescription Drug and Vision benefits. In addition, they examine the renewal rates of the alternative plans, review the financial experience with the Board monthly and assist on all matters of an actuarial nature.

Their status report for the 1988-89 fiscal year is divided into four sections. In the first section, the claims experience and utilization of the benefits under Plan I is reviewed. The second section summarizes the construction of the contribution rates for Plan I for the 1989/90 fiscal year. The third section presents an analysis of the reserve position of the System as of June 30, 1989. In the last section of the report, Rael & Letson presents comments, recommendations and certification as to the actuarial position of the Health Service System.

SECTION I

BENEFIT UTILIZATION - PLAN I

The claim cost figures in Exhibit I (page 38) represent the average monthly claim cost of providing the designated medical benefits for members and dependents during the three fiscal years ending June 30, 1989. The claim cost is determined by dividing the average monthly claim payments during the fiscal year by the average number of covered members or dependent units during the same period.

In order to give you additional perspective in reviewing the benefit utilization information, Rael & Letson sets forth the claim breakdown by benefit category and the claim breakdown by employee and dependent categories for the 1987/88 and 1988/89 fiscal years.

	<u>CLAIM BREAKDOWN BY BENEFIT CATEGORY</u>	
	<u>1987/88</u>	<u>1988/89</u>
Medical	14.4%	12.8%
Hospital	42.6	44.0
Surgical	16.4	15.7
Other	<u>26.6</u>	<u>27.5</u>
	100.0%	100.0%

As in previous years, the hospital benefit continues to account for close to half the cost of the medical benefit program. Medical and Surgical costs represent 28% and the balance of approximately 28% is Other benefits of which the major portion is diagnostic x-ray and laboratory services. As you can see, the relative percentage figures for each category have not changed a great deal from one period to the next.

**TOTAL CLAIMS BREAKDOWN BY EMPLOYEE
AND DEPENDENT CATEGORY**

	<u>1987/88</u>	<u>1988/89</u>
Active Employee	41.4%	42.7%
Retired & Resigned (NM)	16.7	15.0
Retired & Resigned (M)	9.5	9.6
Adult Dependents (NM)	19.2	19.9
Adult Dependents (M)	2.0	1.9
Minor Dependents	<u>11.2</u>	<u>10.9</u>
	100.0%	100.0%

As would be expected, the Active Employee represents by far the largest claim cost component and its percentage of total Plan payout has changed minimally. All other categories have remained relatively constant from the prior year's percentages to that of the current year.

As part of their analysis, Rael & Letson determined the composite claim cost increase for all of the employee and dependent benefit categories. The claim cost increases vary considerably between employees and dependents. The composite cost enables the actuary to track the inflationary increase for Plan I members and dependents as a whole.

HOSPITAL BENEFIT

The following are the claim cost and utilization changes during the three years outlined in Exhibit I of this section.

	<u>CLAIM COST INCREASE</u> <u>1988/89 OVER</u>	
	<u>1986/87</u>	<u>1987/88</u>
Active Employees	19%	18%
Retired & Resigned (NM)	(6)	(9)
Retired & Resigned (M)	(5)	13
Adult Dependents (NM)	39	24
Adult Dependents (M)	44	(1)
Minor Dependents	25	8
Composite	13	10

As indicated previously, the increase in claim cost varies considerably among employee and dependent categories. For example, the claim cost in 1988/89 as compared to 1987/88 varied from a reduction of 9% for the Retired & Resigned (NM) category to a 24% increase for Adult Dependents (NM). Discouraging was the 18% increase in the Active Employee category after only a 1% increase the year before.

The composite claim cost increase for 1988/89 over 1987/88 was 10% as compared to only 3% for 1987/88 over 1986/87. Three of the largest categories, namely Active Employees, Retired & Resigned (NM), and Adult Dependents (NM), had increases of 18%, 13% and 24% respectively. This adverse experience was offset by better experience in the other groups. In summation, this benefit produced a slight gain for the year due to the composite inflation and utilization claim cost percentage being less than the per annum increase assumed when the rates were set for the 1988/89 fiscal year.

The stable experience is mainly attributable to a combination of tolerable increases in the per diem rates of the Preferred Provider (PPO) hospitals, constant usage of the PPO hospital network, utilization review which minimizes unnecessary days in the hospital, and case management which allows for professionally managed alternative care in a less costly and more comfortable environment for the patient.

SURGICAL

The following are the surgical claim cost changes which occurred during the year and are included in Exhibit I of this section.

	CLAIM COST INCREASE	
	<u>1988/89 OVER</u>	
	<u>1986/87</u>	<u>1987/88</u>
Active Employees	9%	5%
Retired & Resigned (NM)	3	(6)
Retired & Resigned (M)	(16)	(5)
Adult Dependents (NM)	16	14
Adult Dependents (M)	(4)	(12)
Minor Dependents	31	15
Composite	5	2

As in prior years, the doctors participating in the PPO commit themselves to a fixed conversion factor using the 1974 California Relative Value Schedule. The actual increase for the past year, that is 1988/89 over 1987/88, was only 2% (compared to 3% the prior year). This, again, would reflect savings due to a greater percentage of surgeries performed by PPO physicians, minimal increases in the conversion factors and lower utilization by participants than might have been expected.

Future cost increases will continue to depend to a great extent on negotiations with PPO providers with regard to the conversion factor to be used along with general inflation and utilization patterns of participants.

MEDICAL

The following are the percentage changes in claim costs for physician visits as reflected in Exhibit I of this section.

	<u>CLAIM COST INCREASE</u> <u>1988/89 OVER</u>	
	<u>1986/87</u>	<u>1987/88</u>
Active Employees	14%	(2)%
Retired & Resigned (NM)	7	(3)
Retired & Resigned (M)	(31)	(30)
Adult Dependents (NM)	21	6
Adult Dependents (M)	(28)	(23)
Minor Dependents	16	2
Composite	5	(6)

As with Surgical services, the PPO doctors committed themselves to a conversion factor related to the 1974 California Relative Value Schedule. The minimal co-pay requirements of the PPO in the past have lent themselves to increased utilization, affecting overall claim costs for this benefit. The 1988-89 fiscal year, however, shows an overall decrease in this claim cost category. This is almost exclusively due to the implementation of higher co-pays during this fiscal year which presumably discouraged physician visits that were not medically necessary. Abuse and over utilization of these benefits which occurred in the past have now been curtailed to a great extent.

OTHERS

X-RAY AND LAB., AMBULANCE AND OTHER MISCELLANEOUS SERVICES

The Following are the percentage claim cost changes during the last three years as outlined in Exhibit I of this section.

	<u>CLAIM COST INCREASE</u>	
	<u>1986/87</u>	<u>1987/88</u>
Active Employees	40%	22%
Retired & Resigned (NM)	19	0
Retired & Resigned (M)	(17)	(9)
Adult Dependents (NM)	27	7
Adult Dependents (M)	(23)	(23)
Minor Dependents	39	34
Composite	22	10

As mentioned in previous actuarial status reports, claim costs under X-Ray and Lab have escalated rapidly because of new and more costly equipment and techniques as well as higher utilization through "defensive medicine" practiced by the medical profession as a result of malpractice awards.

The 10% composite increase during the most recent year is consistent with increases experienced by other health and welfare plans in Northern California and is comparable to the increase that Plan I experienced last fiscal year.

CLAIM COSTS FOR ALL BENEFITS

The foregoing figures for all benefits indicate favorable experience, especially under the medical and surgical categories. Increases in the deductibles and co-pays are the primary reason that the overall inflation and utilization increases were under nationwide averages. When incorporating the interest subsidies approved by the Board, the year end loss ratio for all benefits was a favorable 95% (claim expenditures were 5% less than contributions received).

SECTION II
CONTRIBUTION RATES FOR FISCAL YEAR 1989/90

In establishing necessary rates for the 1989-90 fiscal year (Exhibit II of this section), Rael & Letson had to make an estimate of the anticipated effect of higher utilization and inflation as well as including a supplement for increasing the contingency reserve. Since the new rates must be submitted to the City's Board of Supervisors for approval and subsequent publication months in advance of the new fiscal year, they did not have enough experience after the consummate changes in the benefits, co-pays and deductibles to warrant a claim cost analysis. Therefore, it was decided that all rates would receive equal percentage increases (17%) with the exception of the active rate which was increased an additional 11% due to adverse experience in the first 6 months of the prior fiscal year and that all co-pays and deductibles would not be adjusted for the 1989/90 fiscal year. In addition, the expected interest subsidy of \$600,000 from the prior year was increased 17% to \$702,000 and is credited to the Minor Dependent category experience for fiscal year 1989/90 to help minimize out of pocket costs for City employees and their families enrolled in Plan I. Also, the contingency reserve has grown significantly over the past year. The Board, because of this increase, is allowing a further subsidy of \$1,000,000 to reduce the active employee rate.

SECTION III

RESERVES HELD BY THE HEALTH SERVICE SYSTEM

Since October 1981, Rael & Letson has been receiving monthly data on claims paid during a month, by the month in which they were incurred. This data enables them to determine the actual reserve requirement for incurred but unpaid claims and project that requirement for future years. Following are the reserves required based on historical experience for the five most recent fiscal years.

<u>DATE</u>	<u>ACTUAL PAYOUT OF CLAIMS INCURRED PRIOR TO THAT DATE AND PAID AFTER</u>
July 1, 1984	\$ 3,359,491
July 1, 1985	3,679,688
July 1, 1986	4,687,959
July 1, 1987	5,057,103
July 1, 1988	5,935,344

In last year's report, Rael & Letson projected a reserve requirement of \$5,910,000 which was approximately \$25,000 less than the actual requirement of \$5,935,344. The calculation of the expected run-out for the 12 months after June 30, 1989 (\$5,875,000), was based on the actual run-out during the first two months of the 1989/90 fiscal year projected forward.

SAN FRANCISCO HEALTH SERVICE SYSTEM
BALANCE SHEET AS OF JUNE 30, 1989

Assets

Total	\$ 18,661,467
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Liabilities

Reserves Required:

Plan I (Medical Benefits)	\$ 5,875,000
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Prescription Drug	682,000*
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Vision Care	<u>140,000*</u>
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	\$ 6,697,000
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Other Liabilities	<u>4,798,424</u>
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Total Liabilities	\$ 11,495,424
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Contingency Reserve	<u>7,166,043</u>
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TOTAL	\$ 18,661,467
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* Equal to two months average claims.

The asset figures were obtained from financial statements prepared by Peat, Marwick and Mitchell, as was the amount of "Other Liabilities". The estimated contingency reserve as of 6/30/89 is \$7,166,043 which represents an increase of \$5,783,430 during the 1988-89 Plan Year.

SECTION IV

COMMENTS AND RECOMMENDATIONS

The PPO provided under Plan I has now been in place over five years. Co-payments were raised significantly last year on the PPO coverages to help avoid over-utilization. Nowhere is the effect of the co-payment increase more evident than under the physician visits portion of the program where significant utilization savings were realized. Overall, the Medical and Vision rates during the 1988/89 fiscal year were enough to support the claim costs. However, costs and utilization patterns in the prescription drug category resulted in a loss of almost \$337,000 following a loss of approximately \$1.5 million during the 1987-88 fiscal year. Effective July 1, 1989, the Board replaced Paid Prescriptions, Inc. with PCS, Inc. (Pharmaceutical Card Systems) as the new prescription drug administrator. The Board adopted PCS' MAC (Maximum Allowable Cost) Program which sets a limit on generic drug reimbursement. PCS estimates a savings of 4% to 7% under this program. As a further cost containment measure, the Board implemented a mandatory second surgical opinion program effective July 1, 1989.

As is witnessed by the rates increasing by 17% (22.5% for the Active Category), Rael & Letson sees a continuing trend of inflation in medical costs and utilization patterns. Significant savings are evident in those categories covered by Medicare due to the Catastrophic Coverage Act that became effective January 1, 1989. However, the Act has since been repealed by Congress effective December 31, 1989.

Rael & Letson strongly recommends an independent audit of medical claims to verify accuracy. This practice is routinely done by Trust Funds of this size on an annual basis.

The contingency reserve as of June 30, 1989 was approximately \$7,166,000. A minimum reserve target, based on current claim levels, would be \$5,500,000, with a reserve of \$15,000,000 being optimal.

Based on the current contribution rates, the Health Service System is expected to remain fiscally sound. The Plan is fully funded for its incurred but unpaid claims and, as of June 30, 1989, maintained a contingency reserve of approximately \$7,166,000.

EXHIBIT IMONTHLY MEDICAL CLAIM COSTS BY BENEFIT

					Percentage Increase	
		1986-87	1987-88	1988-89	<u>1988-89 Over</u>	
		<u>Fiscal Yr.</u>	<u>Fiscal Yr.</u>	<u>Fiscal Yr.</u>	<u>1986-87</u>	<u>1987-88</u>
Active Employee	Medical	\$ 13.49	\$ 15.64	\$ 15.33	14 %	(2)%
	Hospital	43.13	43.58	51.48	19	18
	Surgical	16.38	17.00	17.88	9	5
	Other	<u>26.95</u>	<u>30.95</u>	<u>37.62</u>	40	22
		\$ 99.95	\$ 107.17	\$ 122.31	22 %	14 %
Retired & Resigned						
(No Medicare)						
	Medical	\$ 17.84	\$ 19.79	\$ 19.10	7 %	(3)%
	Hospital	84.07	86.66	78.93	(6)	(9)
	Surgical	28.37	30.90	29.08	3	(6)
	Other	<u>37.12</u>	<u>44.04</u>	<u>44.08</u>	19	0
		\$ 167.40	\$ 181.39	\$ 171.19	2 %	(6)%
Retired & Resigned						
(Medicare)						
	Medical	\$ 5.83	\$ 5.79	\$ 4.03	(31)%	(30)%
	Hospital	17.49	14.80	16.69	(5)	13
	Surgical	9.87	8.72	8.30	(16)	(5)
	Other	<u>12.58</u>	<u>11.47</u>	<u>10.48</u>	(17)	(9)
		\$ 45.77	\$ 40.78	\$ 39.50	(14)%	(3)%
Adult Dependents						
(No Medicare)						
	Medical	\$ 9.80	\$ 11.22	\$ 11.85	21 %	6 %
	Hospital	33.49	37.50	46.44	39	24
	Surgical	14.59	14.92	16.96	16	14
	Other	<u>19.72</u>	<u>23.37</u>	<u>25.07</u>	27	7
		\$ 77.60	\$ 87.01	\$ 100.32	29 %	15 %
Adult Dependents						
(Medicare)						
	Medical	\$ 5.66	\$ 5.33	\$ 4.08	(28)%	(23)%
	Hospital	9.23	13.34	13.25	44	(1)
	Surgical	8.16	8.92	7.83	(4)	(12)
	Other	<u>12.97</u>	<u>13.00</u>	<u>9.98</u>	(23)	(23)
		\$ 36.02	\$ 40.59	\$ 35.14	(2)	(13)
Minor Dependents						
	Medical	\$ 20.14	\$ 22.86	\$ 23.34	16 %	2 %
	Hospital	43.26	50.20	54.27	25	8
	Surgical	9.32	10.63	12.19	31	15
	Other	<u>18.90</u>	<u>19.61</u>	<u>26.28</u>	39	34
		\$ 91.62	\$ 103.30	\$ 116.08	27 %	12 %
Composite						
	Medical	\$ 11.82	\$ 13.23	\$ 12.45	5 %	(6)%
	Hospital	37.88	39.10	42.87	13	10
	Surgical	14.64	14.98	15.35	5	2
	Other	<u>21.96</u>	<u>24.41</u>	<u>26.84</u>	22	10
		\$ 86.30	\$ 91.72	\$ 97.51	13 %	6 %

EXHIBIT II

HEALTH SERVICE SYSTEM

MONTHLY CONTRIBUTION RATES FOR 1989-90 FISCAL YEAR

	<u>Active</u>	<u>Retired No Med.</u>	<u>Retired Med.</u>	<u>Adult Dep. No Med.</u>	<u>Adult Dep. Med.</u>	<u>Minor Dep.</u>
1. 1988-89 Monthly Rates	\$130.93	\$257.90	\$104.81	\$93.99	\$44.11	\$74.41
2. 1989-90 Monthly Rates	\$160.35	\$301.74	\$122.63	\$109.97	\$51.61	\$87.06
3. Percentage Change	22.5%	17.0%	17.0%	17.0%	17.0%	17.0%

D. Cost Containment Programs

The Health Service Board continued to pursue the maintenance and implementation of effective health care cost containment programs during this fiscal year.

The pre-certification and concurrent review of all hospital admissions in the Bay Area which was begun in January, 1983 has resulted in a stabilization of hospital admissions with a decrease in hospital admissions and hospital days per 1,000 members during the 1988-89 benefit.

The admissions per 1,000 members decreased from 94 per 1,000 as of June 30, 1988 to 87 per 1,000 as of June 30, 1989. Hospital days per 1,000 decreased from 499 per 1,000 as of June 30, 1988 to 475 per 1,000 as of June 30, 1989. The average length of stay in the hospital did increase from 5.32 in 1987-88 to 5.42 days in 1988-89, indicating an increase in the severity of case mix. Total hospital days decreased from 10,224 in 1987-88 to 8,572 in 1988-89 and total inpatient hospital expenditures increased by a moderate 1.3%. An inpatient hospitalization summary from 1981-82 through 1988-89 is incorporated as part of this report.

The Preferred Provider program continued to exert some restraining influence on the overall increase in inpatient hospital costs with a 14.6% increase per day of hospitalization which was comprised of a 13.3% increase for contract hospitals and a 20.4% increase for non-contract hospitals. The average benefit paid per hospital day was \$956 compared to \$834 for the 1987-88 fiscal year.

The average benefit paid per day of hospitalization increased 14.6% while average retail hospital costs in the Bay Area increased by about 23.4%. This was accomplished because preferred provider hospitals were paid an average of \$826 per day for services rendered to members in 1988-89. Overall retail hospital charges increased from \$1,291 per day in 1987-88 to \$1,560 per day in 1988-89. The average benefit paid per hospital day to non-contract hospitals increased by 20.4% in the 1988-89 benefit year.

Other cost containment tools resulting in recovery of benefit expenditures in 1988-89 were third party liability recoveries at \$15,506 and workers compensation lien recoveries at \$13,085.

In addition, \$511,705 was avoided in benefit expenditures because of coordination of benefits (COB) with commercial insurance carriers and another \$294,773 was avoided because of fee charges in excess of usual and reasonable as determined by the Plan during the 1988-89 fiscal year.

CITY HEALTH PLAN I
FISCAL YEAR COMPARISON
NON-MEDICARE INPATIENT HOSPITALIZATION

PERIOD	ADM	ADM PER 1,000	DAYS	DAYS PER 1,000	LOS	AVERAGE CHARGE PER DAY	AVERAGE PAYMENT PER DAY	BILLED CHARGES	PAID CHARGES
07/01/81 - 06/30/82	2,074	104	11,969	598	5.82	\$ 665	\$ 554	\$ 7,959,385	\$ 6,630,826
07/01/82 - 06/30/83	2,037	104	10,712	549	5.26	805	668	8,626,356	7,160,688
07/01/83 - 06/30/84	1,808	95	9,695	510	5.36	951	773	9,216,109	7,490,911
07/01/84 - 06/30/85	1,745	92	9,445	497	5.41	969	748	9,150,079	7,067,923
PPD (47%)	819		4,247		5.18	1,011	673	4,294,672	2,858,750
STANDARD (53%)	926		5,198		5.61	934	810	4,855,407	4,209,173
07/01/85 - 06/30/86	1,861	91	10,287	502	5.52	1,092	776	11,231,453	7,984,907
PPD (58%)	1,079		6,005		5.56	1,057	641	6,345,394	3,846,286
STANDARD (42%)	782		4,282		5.48	1,141	967	4,886,059	4,138,621
07/01/86 - 06/30/87	1,928	95	9,828	484	5.09	1,232	847	12,104,616	8,323,672
PPD (62%)	1,186		5,861		4.94	1,214	695	7,115,155	4,073,808
STANDARD (38%)	742		3,967		5.35	1,258	1,071	4,989,461	4,249,864
07/01/87 - 06/30/88	1,921	94	10,224	499	5.32	1,291	834	13,196,622	8,526,421
PPD (69%)	1,334		6,758		5.06	1,309	729	8,846,172	4,928,170
STANDARD (31%)	587		3,466		5.90	1,255	1,038	4,350,449	3,598,250
07/01/88 - 06/30/89	1,579	87	8,572	475	5.42	1,560	966	13,371,495	8,191,000
PPD (70%)	1,107		5,954		5.37	1,592	826	9,417,112	4,917,542
STANDARD (30%)	472		2,618		5.55	1,510	1,260	3,954,382	3,273,488

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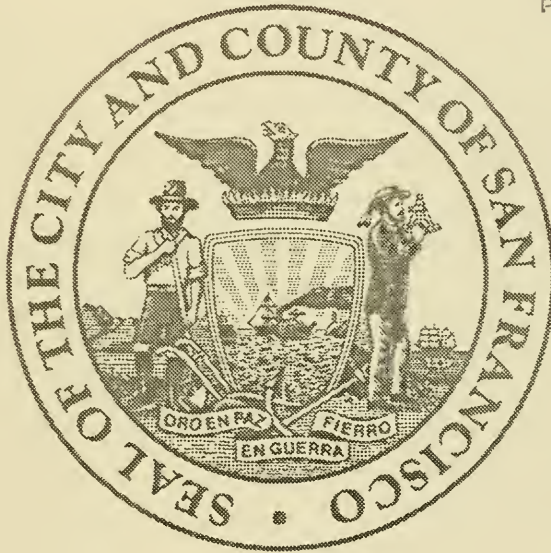
Health Service System

Annual Report

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Fiscal Year July 1, 1989 - June 30, 1990

HEALTH SERVICE SYSTEM

ANNUAL REPORT

FISCAL YEAR JULY 1, 1989 - JUNE 30, 1990

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I. HISTORY OF THE HEALTH SERVICE SYSTEM

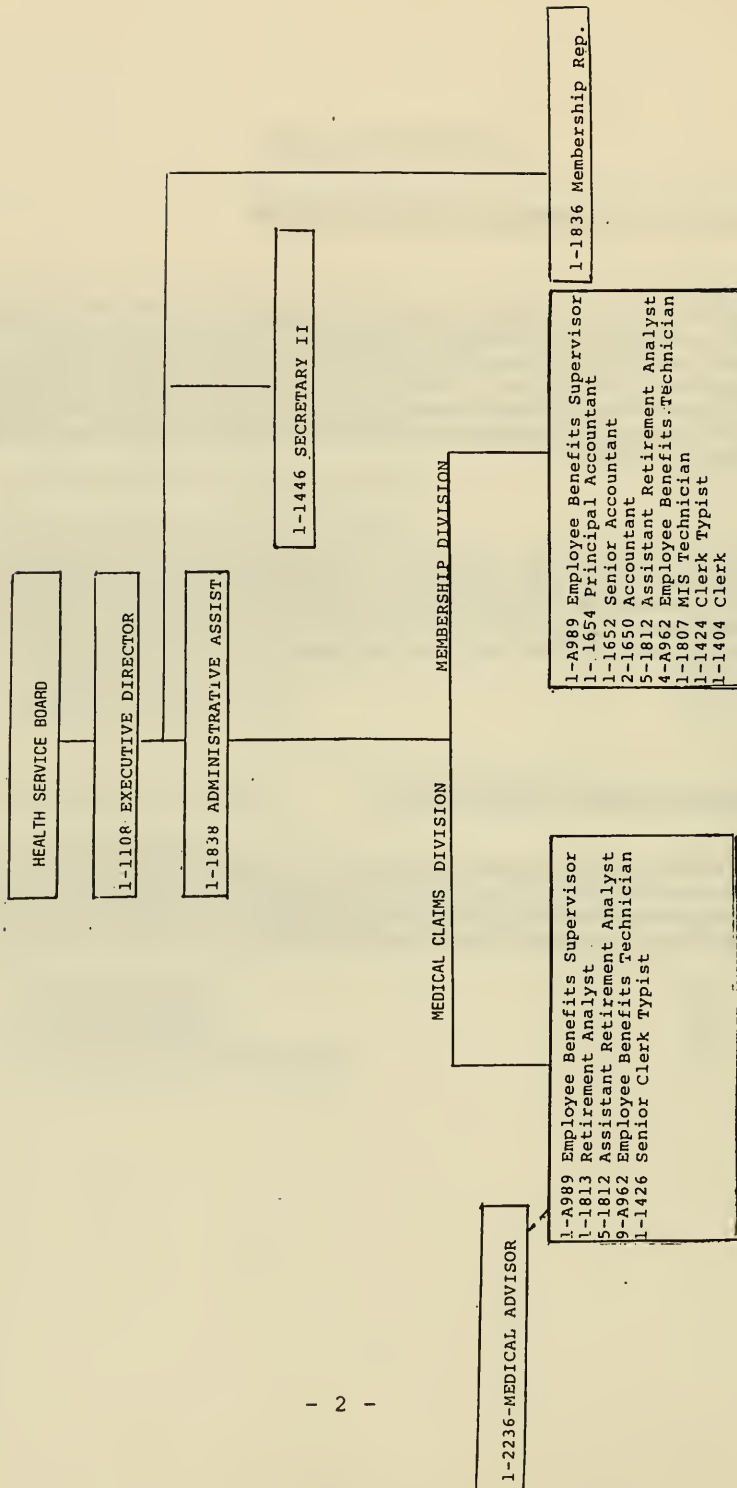
The Health Service System was established by Charter Amendment in March of 1937 and has been conducting business officially since October, 1938. The Health Service System was the culmination of several years of effort on the part of employees of the City and of the Board of Education to secure a workable low cost method of group health protection for themselves and their dependents. The Health Service System became a department of the City and County of San Francisco in 1961.

The System was unique when it was established because it provided for a self-funded medical plan to provide medical protection to 10,293 employees and 5,577 dependents. Today, it is one of the largest county or municipal plans in the United States handling its medical program on a self-funded and self-administered basis with 44,853 active and retired employees and 37,786 dependents as of June 30, 1990.

II. ORGANIZATIONAL COMPOSITION

The Health Service System is administered by the Health Service Board through its Executive Director. The System is organizationally divided into three divisions: Administration, Membership and Medical Claims. The department had a total of 39 permanent positions in the 1989-90 fiscal year.

HEALTH SERVICE SYSTEM
TABLE OF ORGANIZATION
1989-90



III. HEALTH SERVICE SYSTEM COMPARISON OF EXPENDITURES FISCAL YEARS 1989-90 AND 1988-89

	1989 - 1990				1988 - 1989			
	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL
001 Permanent Salaries-Misc.	159,562	414,114	560,982	1,134,658	138,485	346,039	512,165	996,689
010 Overtime	620	692	90	1,402	510	543	383	1,436
060 Mandatory Fringe Benefits	36,222	106,445	149,826	292,493	32,226	94,919	139,794	266,939
106 DP/UP Equipment Maint.	3,017	29,485	41,460	73,962	2,551	23,113	32,119	57,783
109 Other Contractual Services	2,367	125	191,923	194,415	997	-0-	153,627	154,624
120 Other Services	37,847	11,247	14,259	63,353	18,209	24,261	36,214	78,684
130 Materials & Supplies	4,530	12,604	4,965	22,099	541	8,883	5,254	14,678
145 Judgements-Claims	-0-	-0-	-0-	-0-	-0-	-0-	1,101	1,101
146 Rental of Property	105,633	-0-	-0-	105,633	107,052	-0-	-0-	107,052
220 Equipment Purchase	27,319	-0-	-0-	27,319	-0-	-0-	-0-	-0-
303 Real Estate	5,000	-0-	-0-	5,000	1,010	-0-	-0-	1,010
313 Civil Service Mgmt. Training	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
320 Engineering	2,583	-0-	-0-	2,583	133	-0-	-0-	133
329 Registrar of Voters	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
330 Light, Heat & Power	10,253	-0-	-0-	10,253	7,738	-0-	-0-	7,738
340 Controller's - EDP	-0-	108,316	45,050	153,366	-0-	83,208	27,219	110,427
350 Printing & Reproduction	616	2,034	3,000	5,650	936	11,305	1,712	13,953
351 City Mail Services	12,306	-0-	-0-	12,306	21,092	-0-	-0-	21,092
365 CAO-Ins. & Risk Reduc.	680	-0-	-0-	680	750	-0-	-0-	750
370 Workmen's Comp.	7,675	-0-	-0-	7,675	2,408	-0-	-0-	2,408
339 Controller-Audit	19,000	-0-	-0-	19,000	19,000	-0-	-0-	19,000
420 Legal Service-City Atty.	54,005	-0-	-0-	54,005	28,718	-0-	-0-	28,718
	489,235	685,062	1,011,555	2,185,852	382,356	592,271	909,588	1,884,215

IV. HEALTH SERVICE BOARD

Charter Section 3.680 provides for the establishment of a Health Service Board and Section 3.681 delineates the power and duties of the Board. The Health Service Board is charged with the fiduciary responsibility of maintaining the financial integrity of the Health Service System Trust Fund and of adopting a health plan or plans for the rendering of medical care to members of the System with the ultimate objective of providing the most comprehensive medical coverage possible at the most reasonable cost to all its members.

The Board is composed of seven members; three members elected from the membership at large, two ex-officio members from City government, and two members appointed by the Mayor. The mayoral appointees represent expertise from the insurance profession and from the medical profession. Members of the Board during the 1989-90 fiscal year were:

Employee Members: Harry Paretchan, President
Fire Department (Term expires May 15, 1991)

Claire Zvanski, Vice President
Municipal Railway (Term expires May 15, 1993)

James M. Deignan, Commissioner
Police Department (Term expires May 15, 1994)

Ex-Officio Members: Nancy Walker, Chair
Finance Committee, Board of Supervisors
(Term began January, 1989)

George E. Krueger, Commissioner
Representing City Attorney
(Term began March 22, 1984)

Appointed members: Abraham Bernstein, M.D., Commissioner
(Term ended July 2, 1990)

Jackson A. Loos, Commissioner
(term expires May 15, 1995)

Sidney E. Foster, M.D., Commissioner
(Term expires May 15, 1992)

The Board's major functions and responsibilities consist of many comprehensive activities:

1. Determine policies relative to the management and administration of the Health Service System.
2. Oversee all operations to be certain they are in conformance with the provisions of the trust (as provided by the Charter), the plan of benefits, the laws pertaining to health and welfare trusts, and the decisions of the trustees as recorded in the minutes of Board meetings.
3. Determine and approve a budget for administration of the Health Service System.
4. Establish the level of benefits the fund can afford, which involves a number of interrelated problems such as:
 - a. Estimating the fund's probable income from all sources.
 - b. Estimating the fund's expenses.
 - c. Determining the desired level of the various reserves and the desired speed of reserve accumulation.
 - d. Determining eligibility rules.
 - e. Estimating the amount of money available for benefits.
 - f. Estimating the number of employees who will be eligible.
 - g. Calculating the amount of money available for benefits for each employee and his or her dependents.
 - h. Selecting the most desirable combination of benefits that can be provided.
 - i. Fixing rates of contributions for members.
5. Approval of contractual obligations and transfer and appropriation of funds.
6. Attend Board and Committee meetings and see to it that minutes are accurate and complete.
7. Determine whether or not the fund will self-insure or utilize the services of an insurance company.
8. Establish the fund's investment policy.
9. Establish employee delinquency procedures.
10. Hear grievances from employees.
11. Report to the employees and to the employer concerning the operation of the fund.
12. Selection of advisors. Advisors may include among others: a consulting actuary, attorney, auditor, benefits consultant and investment advisor.
13. Review of the performance of the administrator and all advisors to the trustees.

V. ADMINISTRATION DIVISION

A. Responsibilities:

The Administration Division is responsible for the following functions:

- . Administer health, dental and disability insurance system for all eligible City, School District and Community College District employees, active and retired, and their dependents
- . Plan, organize, actuate and control management policies
- . Implement Health Service Board policies and programs
- . Conduct Board and Committee meetings
- . Prepare and maintain Board calendars, minutes, records, and reports
- . Determine personnel and budget requirements
- . Provide liaison with City departments and other agencies
- . Develop plans and programs
- . Conduct Health Service surveys and investigations
- . Manage Health Service Trust Fund
- . Provide personnel and payroll services

B. Rules and Regulation Changes:

The Health Service Board, through its committee structure, reviewed the Rules and Regulations of the System during 1989-90 to ensure that they were in conformance with current practice, Charter changes and State and Federal Laws as well as serving the needs of City employees while protecting the integrity of the System.

Pertinent excerpts of the current Rules and Regulations of the System are printed on the Comparison of Health Plans brochure which is published and distributed each year to every active and retired employee member. Individual benefit plan booklets detailing the specific benefits of each plan are also made available to members of each plan as well as to members at large.

C. Benefit Plans:

The 1989-90 fiscal year saw a continued significant expansion in employee benefit plans with the inclusion of an Internal Revenue Service Section 125 Flexible Benefit Plan which included the offering of three dental plans and a short term disability plan for the first full benefit year.

The Section 125 Plan allows an employee to enter into a salary reduction agreement with the employer thereby allowing the employee to pay any benefit plan premiums which they may be obligated to pay on a pre-tax rather than on a post-tax basis as is customary.

This program provided a tremendous tax savings to the many employees who are participating in the Plan considering that the City pays no portion of dependent's medical premiums, nor does it provide employer paid dental coverage.

The three dental plans added to the benefit program effective December 1, 1988, were the Colonial, DentiCare and Safeguard Dental Plans.

The Colonial Dental Plan is underwritten by Colonial Life & Accident Insurance Company and is an indemnity fee for service dental plan. Employees have a free choice of dentist and are indemnified for services rendered based on a percentage reimbursement schedule.

The DentiCare and Safeguard Dental Plans are prepaid capitated programs. These plans are distinguished from the indemnity plan by their lower premium schedule and by the fact that there are nominal or no copayments required for services provided. The patient must, however, select a participating dentist and receive all dental services from that provider with the exception of specialty service referrals.

This type of plan is characterized by payment to the participating dentist of a set monthly fee or capitation per patient in exchange for the dentist providing all necessary services to each covered patient.

The short term disability plan offered is underwritten by Colonial Life & Accident Insurance Company. It provides disability benefits for up to one year after accident or sickness.

The accident plan provides lump sum benefits for specific injuries/services such as fractures, dislocations, cuts and burns, as well as hospital confinement and death and dismemberment benefits. The accident benefits are paid beginning with the first day of accidental injury.

Sickness disability benefits are payable on the 15th day of disability. If the sickness is severe enough to require hospitalization, the benefits begin on the 1st day of disability.

A choice of six health plans were offered to the membership during the 1989-90 fiscal year:

The City Health Plan; Kaiser Permanente Health Plan; Bridgeway Health Plan; French Health Plan; Bay Pacific Health Plan; and Heals Health Plan. These six plans provided a balanced selection of health plan options.

The City Health Plan is a fee for service indemnity health plan providing a free choice of covered medical providers. In addition, a Preferred Provider Program was included under the plan for the sixth year.

A Preferred Provider Program is one in which the Health Service System enters into agreements with selected hospitals, physicians and other health professionals to provide medical services to employees and dependents on a discounted fee basis. Members of the health plan are then given economic incentives to utilize selected physicians, hospitals and other health care professionals when requiring medical care.

The program is characterized by tight utilization control of hospital admissions and the employer fund receiving reduced fees with the participating physicians and hospitals expanding their patient base.

The System currently has agreements with seventeen hospitals and over 1,500 physicians and other health care professionals in the Bay Area. An agreement also continues with a hospital and its physicians in Tuolumne County to cover employees who work for the Public Utilities Commission at Hetch Hetchy.

The System also offered six alternative health maintenance organizations for employees to select.

A health maintenance organization provides a comprehensive set of plan benefits including hospital, surgical and medical care for a prepaid amount of cost. There is usually no cost or only small copayments required when seeking medical care from plan providers.

Kaiser Health Plan, Bridgeway Health Plan and French Health Plan are group or staff prepaid health maintenance organizations which are hospital based although Bridgeway offers an IPA model option. Bay Pacific Health Plan, and Heals Health Plan arrange for the provision of health care through an individual practice association (IPA) HMO model which provides physician services primarily from individual private practice physician offices.

The Kaiser Health Plan has been offered to City employees since 1949; Bridgeway Health Plan since 1978; the Bay Pacific and French Plans since 1981, and the Heals Plan has been offered since 1986.

The French Health Plan was discontinued as of August 1, 1989, because of its acquisition by the Kaiser Permanente Health Plan. Members of this plan were given an opportunity to transfer to another health plan offered by the System.

D. City Fiscal Contribution:

Effective July 1, 1989, the City and County of San Francisco, School District and Community College District contributed \$122.29 per month for each eligible active employee into the Health Service Trust Fund. This amount represented an increase of \$16.16 per month or 15.2% above the employer's contribution for the previous fiscal year and represented 100% of the average being contributed by the ten (10) most populous counties in the State of California as determined by survey conducted pursuant to Charter Section 8.423. The employer contribution is based on the employee only contribution of other counties and does not include any consideration of what another county might contribute toward dependent's health premiums.

The City, School District and Community College District also subsidize the cost of retired employees health coverage. The Charter requires that retired employees not pay more out of pocket each month than an active employee, and that the City contribute the funds necessary to defray the difference in cost to provide the same health coverage to retired employees as is provided to active employees. The amount that the employer must contribute will therefore fluctuate because of the different rates for each plan.

The Charter also provides that retired persons shall have their medical contributions reduced by the amount they must pay Medicare. Hence, a retired person in Medicare will have his Health Service medical contributions reduced by the Medicare contribution for that year. The Medicare cost during the 1989-90 fiscal year was \$31.90 per month.

The Health Service Board adopted a rule in March 1975, later amended several times which provides that:

All members and dependents who attain age 65 and who qualify for eligibility in the Part A (HOSPITAL) portion of Medicare on a non-contributory basis must enroll to remain a member of the Health Service System.

Retired members and their dependents who qualify for Part A on a non-contributory basis must enroll in the Part B (Medical) portion of Medicare to remain a member of the Health Service System.

All retired members and their dependents who qualify for early Social Security, and thereby become eligible for Medicare Part A and B portions, must enroll to remain a member of the Health Service System.

Active employees and their dependents over the age of 65 must enroll in the Part B (MEDICAL) portion of Medicare upon retirement if eligible for Part A on a non-contributory basis.

This rule provision has saved the City and County millions of dollars in additional health insurance costs for retired employees over the years it has been in effect. It will continue to save many more dollars in future years even with the Federal Government's efforts to cut and shift costs of the Medicare program from the government to Medicare beneficiaries and their former employers.

A cost reduction to the employer of approximately \$13.3 million was generated in the 1989-90 fiscal year alone because of Medicare membership. The establishment of Medicare as the primary source of financial responsibility allows all health plans to provide their services to retired employees, and the City at a lower rate. The number of retired employees and dependents over 65 years without Medicare coverage continues to decline each year as the pre-1975 retirees leave the System.

E. Financial Status

The Health Service System ended the 1989-90 fiscal year in its strongest financial condition in history. It was the second straight year of increasing assets reversing a decline in net assets which had occurred during the three prior fiscal years. The net assets of the System available for health benefits at close of business on June 30, 1990 were \$17.0 million which represented an increase of about \$9.9 million over the net assets available on June 30, 1989.

The revenues for the fiscal year amounted to \$105.6 million of which 58.5% or \$61.8 million were contributed by the City, School District and Community College District and 40.1% or \$42.3 million were contributed by employees. In addition, \$1.5 million was collected in interest earnings on the reserves and assets of the System.

The expenditures of the System included approximately \$32.6 million in benefits under the City Health Plan and \$63.1 million in premium payments to benefit plan contractors.

The Statements of Net Assets Available for Health Benefits, the Statements of Changes in Net Assets, and the Investment Report as of close of business June 30, 1990 follow and are incorporated as part of this report.

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Net Assets
Available for Health Benefits

June 30, 1990 and 1989

	<u>1990</u>	<u>1989</u>
Assets:		
Equity in treasurer's cash	\$24,392,786	15,781,748
Contributions receivable from		
City and County agency funds	5,999,881	2,634,743
Interest receivable	482,166	235,921
Accounts receivable	<u>8,645</u>	<u>9,055</u>
Total assets	<u>30,883,478</u>	<u>18,661,467</u>
Liabilities:		
Reserves for claims - Plan I	7,471,000	6,697,000
Health maintenance organization		
premiums payable	1,988,052	1,939,042
Unearned contributions	4,423,044	2,458,517
Due to City and County	<u>--</u>	<u>400,865</u>
Total liabilities	<u>\$17,001,382</u> =====	<u>7,166,043</u> =====

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Changes in Net Assets
Available for Health Benefits

Years ended June 30, 1990 and 1989

	<u>1990</u>	<u>1989</u>
Additions to plan assets:		
Employee contributions	\$ 42,346,948	\$31,922,754
Employer contributions for:		
Active employees	44,658,201	37,970,578
Retired employees	17,077,717	16,925,293
Interest income	<u>1,515,700</u>	<u>1,074,089</u>
Total additions	<u>105,598,566</u>	<u>87,892,714</u>
Deductions from plan assets:		
Plan I benefit expense	32,640,824	30,557,377
Health maintenance organization plan expense	63,104,292	51,546,215
Other expenses	<u>18,111</u>	<u>5,692</u>
Total deductions	<u>95,763,227</u>	<u>82,109,284</u>
Increase in net assets available for health benefits	9,835,339	5,783,430
Net assets available for health benefits:		
Beginning of year	<u>7,166,043</u>	<u>1,382,613</u>
End of year	<u>\$17,001,382</u> =====	7,166,043 =====

HEALTH SERVICE SYSTEM TRUST FUND
As of June 30, 1990

POOLED CASH INVESTMENT REPORT

	<u>CASH BALANCE</u> <u>AS OF MONTH END</u>		<u>POOLED CASH</u> <u>AVG. CURRENT YIELD</u>		<u>INTEREST EARNED</u> <u>TO DATE</u>		
	<u>1988-89</u>	<u>1989-90</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1988-89</u>	<u>1989-90</u>	
						<u>MONTH</u>	<u>YTD</u>
JULY	\$ 8,232,070	\$13,365,717	9.02%	8.69%	\$62,122.87	\$ 96,999.98	\$ 96,999.98
AUGUST	9,702,951	14,741,336	10.01	8.25	143,926.35	102,277.23	199,277.23
SEPTEMBER	14,637,152	14,949,240	8.00	8.91	242,020.89	111,493.99	310,771.22
OCTOBER	11,100,207	16,952,013	9.02	9.11	325,976.00	129,903.19	440,674.41
NOVEMBER	11,693,252	16,272,621	8.11	8.38	404,959.50	114,654.48	555,328.89
DECEMBER	12,686,400	17,887,322	7.93	8.64	488,937.60	129,088.06	684,416.95
JANUARY	13,328,693	17,223,064	8.50	8.27	583,956.79	119,827.00	804,243.95
FEBRUARY	14,107,443	18,533,967	7.61	7.99	674,145.75	123,431.45	927,675.40
MARCH	15,543,757	19,338,835	8.59	8.68	786,148.79	140,385.84	1,068,061.24
APRIL	14,962,282	21,611,836	8.55	7.55	893,469.73	136,707.30	1,204,768.54
MAY	12,278,291	20,905,518	7.50	8.60	986,186.43	151,872.42	1,356,640.96
JUNE	12,236,656	23,015,687	8.24	8.28	1,074,089.89	159,394.74	1,516,035.70

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VI. MEMBERSHIP DIVISION

A. Responsibilities:

The Membership Division is comprised of eighteen positions and is charged with the following responsibilities:

- . Maintain membership records for all employees and dependents
- . Collect, reconcile and disburse premium contributions
- . Maintain accounting functions
- . Prepare financial reports and provide budgetary services
- . Process and counsel new and existing members
- . Provide mail, reproduction and clerical support services
- . Provide accounts receivable services
- . Provide purchasing services

B. Membership Statistics

The Membership Division accounted for \$105.6 million in revenues in 1989-90 which were collected, reconciled and disbursed to the various benefit plans.

The System had a total membership of 82,639 individuals as of July 1, 1990 including 32,563 active employees, 12,290 retired employees, 37,432 dependents and 354 former employees and dependents continuing coverage under the federal health insurance continuation law known as COBRA.

These membership totals represented a net increase of 656 active employees and 270 retired employees, and a decrease of 784 dependents and COBRA participants over total membership on June 30, 1989. The Membership Statistical Report as of July 1, 1990 is incorporated as part of this report and includes demographic reports on the composition of each health plan.

The Division also processed 16,910 enrollments and 15,051 terminations during the fiscal year. Exhibits reflecting the enrollment activity during the year and during the annual open enrollment period are incorporated as part of this report.

CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ACTIVE EMPLOYEES	7,224	15,240	4,575	2,795	1,091	23	1,007	32,545
RETIRED EMPLOYEES								
NO MEDICARE	1,405	2,033	174	152	40	3		3,867
PART A	133	50	11	4	2			200
PART B	52	60	3	1				116
MEDICARE	4,534	3,113	259	154	23	7		7,890
SUB TOTALS	6,014	5,255	447	311	65	10		12,103
RESIGNED EMPLOYEES								
NO MEDICARE	4		1					5
PART A	4							4
PART B	7							11
MEDICARE	125	30	2	1				167
SUB TOTALS	138	39	3	7				187
SURVIVING SPOUSE								
NO MEDICARE	232	254	16	25	2	1		500
PART A	7	5						12
PART B	12	7						19
MEDICARE	871	486	25	23	4	2		1,411
SUB TOTALS	1,092	752	41	48	6	3		1,942
COBRA PARTICIPANTS	103	177	29	35	10			354
COMMISSIONERS	7	3	5	2	1			18
ADULT DEPS OF ACTIVE EMPLOYEES	2,519	4,756	1,375	944	436	14		10,044
ADULT DEPENDENTS OF RETIRED EMPLOYEES								
NO MEDICARE	998	1,193	68	59	10	3		2,331
PART A	12	5		1				19
PART B	8	16						24
MEDICARE	1,234	1,042	42	29	4	3		2,356
SUB TOTALS	2,252	2,257	110	89	14	5		4,728
ADULT DEPENDENTS OF RESIGNED EMPLOYEES								
NO MEDICARE	1							1
PART A	1							1
PART B	0	5	1	1				13
MEDICARE	6	5						15
SUB TOTALS								

CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ADULT DEPENDENTS OF COSRA	13	11	4	5	3			36
ADULT DEPNS OF COMMISSIONERS	2	2	2	1				7
MINOR DEPNS OF ACTIVE EMPLOYEES	3,950	9,633	2,940	1,003	879	32		19,536
MINOR DEPNS OF RETIRED EMPLOYEES	295	543	31	27	9			905
MINOR DEPNS OF RESIGNED EMPLOYEES	1							1
MINOR DEPNS OF SURVIVING SPOUSE	46	102	5	10				163
MINOR DEPENDENTS OF COSRA	18	21	4	4	4			51
MINOR DEPNS OF COMMISSIONERS	1	4	1					6
HEALTH PLAN TOTALS	23,633	39,001	9,573	6,179	3,108	98	1,007	82,539

HSD167

CITY HEALTH SERVICE SYSTEM
AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	SAFEGUARD II	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	3,096	1,991	4,874		9,961	6,261
RETIRED EMPLOYEES						
NO MEDICARE	260	252	435		947	
PART A	5	13	13		31	
PART B	5	8	3		16	
MEDICARE	334	597	578		1,509	
SUB TOTALS	624	870	1,029		2,523	
RESIGNED EMPLOYEES						
NO MEDICARE						
PART A				1	1	
PART B						
MEDICARE	2	4			6	
SUB TOTALS	2	4	1		7	
SURVIVING SPOUSE						
NO MEDICARE	32	37	56		125	
PART A	1	1			2	
PART B	1		2		4	
MEDICARE	50	79	79		208	
SUB TOTALS	84	118	137		339	
COBRA PARTICIPANTS	13	16	23		52	
DENTAL PLAN TOTALS	3,819	2,999	6,084		12,882	6,261

CITY AND HEALTH SERVICE SYSTEM
COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 7/1/89

MEMBERSHIP STATUS	CITY - ADM.	Kaiser	CHILDREN'S	FRENCH	BAY PACIFIC	HEALS	MAXICARE	EXEMPT	TOTAL
ACTIVE EMPLOYEES	7,247	14,363	3,205	1,343	3,462	1,342		989	31,907
RETIRED EMPLOYEES									
NO MEDICARE	1,494	1,917	150	59	165	19			3,834
PART A	140	45	9	2	0				205
PART B	179	57	3	1	1				141
MEDICARE	4,293	3,943	204	79	142	15			7,676
SUB TOTALS	6,006	6,965	366	141	314	34			11,826
RESIGNED EMPLOYEES									
NO MEDICARE	4		1						5
PART A	5								5
PART B	7								11
MEDICARE	129	3	1	2	7				179
SUB TOTALS	145	43	2	2	8				200
SURVIVING SPOUSE									
NO MEDICARE	216	234	15	0	25				498
PART A	9	1	5						14
PART B	12	7							19
MEDICARE	633	456	17	11	21	1			1,341
SUB TOTALS	1,072	704	32	17	46	1			1,872
COBRA PARTICIPANTS	115	132	25	10	34	3			324
ADULT DEPENDENTS OF ACTIVE EMPLOYEES	2,505	4,660	987	256	1,244	400			10,052
ADULT DEPENDENTS OF RETIRED EMPLOYEES									
NO MEDICARE	1,021	1,220	57	15	65	6			2,384
PART A	11	9			1				21
PART B	12	16							28
MEDICARE	1,134	975	33	19	33	5			2,249
SUB TOTALS	2,228	2,220	90	34	99	11			4,682
ADULT DEPENDENTS OF RESIGNED EMPLOYEES									
NO MEDICARE	1								1
PART A									
PART B	1								1
MEDICARE	8	5			1				14
SUB TOTALS	10	5			1				16
ADULT DEPENDENTS OF COBRA	14	13	6	3	6	1			43

HSD167

C I T Y H E A L T H S E R V I C E S Y S T E M
A N D C O U N T Y O F S A N F R A N C I S C O
MEMBERSHIP MASTER REPORT - 7/1/89

MEMBERSHIP STATUS	CITY - ADM.	KAISER	CHILDREN'S	FRENCH	BAY PACIFIC	HEALS	MAXICARE	EXEMPT	TOTAL
MINOR DEPNs OF ACTIVE EMPLOYEES	4,049	10,113	2,140	516	2,632	805			20,297
MINOR DEPNs OF RETIRED EMPLOYEES	330	695	32	15	29	5			1,106
MINOR DEPNs OF RESIGNED EMPLOYEES	3								3
MINOR DEPNs OF SURVIVING SPOUSE	50	120	6	3	9				188
MINOR DEPENDENTS OF COSRA	28	30	2	4	13	2			35
HEALTH PLAN TOTALS	23,892	33,063	6,899	2,346	7,897	2,615		889	32,601

HSD167

C I T Y H E A L T H S E R V I C E S Y S T E M
A N D C O U N T Y O F S A N F R A N C I S C O
M E M B E R S H I P M A S T E R R E P O R T - 7/1/89

MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	SAFEGUARD II	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	2,646	1,509	3,880	375	8,401	5,994
RETIRED EMPLOYEES						
NO MEDICARE	195	226	288	52	761	
PART A	4	14	10	1	29	
PART B	5	5	2	3	15	
MEDICARE	285	539	390	89	1,293	
SUB TOTALS	459	764	680	145	2,098	
RESIGNED EMPLOYEES						
NO MEDICARE						
PART A			1		1	
PART B					5	
MEDICARE		5	1		6	
SUB TOTALS						
SURVIVING SPOUSE						
NO MEDICARE	23	39	40	2	104	
PART A		2			2	
PART B	1	1			2	
MEDICARE	40	65	50	9	154	
SUB TOTALS	64	107	90	11	272	
COSRA PARTICIPANTS	5	11	6	3	25	
DENTAL PLAN TOTALS	3,204	2,407	4,657	534	10,802	5,994

HEALTH SERVICE SYSTEM

MEMBERSHIP AGE STATISTICS 07/01/90

EMPLOYEE MEMBERS

	CITY - ADM.		KAISER		BRIDGEWAY		BAY PACIFIC		HEALS		FOUNDATION	
	M	F	M	F	M	F	M	F	M	F	M	F
TOTALS	3,996	3,302	8,850	6,553	2,327	2,340	1,613	1,191	841	854	21	5
PLAN TOTALS	7,298		15,403		4,667		2,804		1,695		26	
AVERAGE AGE	46.12		44.50		41.05		42.17		40.47		37.88	
MEDIAN AGE	46		44		40		41		39		46	

RETIRED AND RESIGNED

TOTALS	3,724	2,472	3,727	1,634	270	190	185	142	45	26	8	2
NO MED OVER 65	100	65	272	121	12	9	3	11	4	2		
PLAN TOTALS	6,196		5,361		460		327		71		10	
AVERAGE AGE	70.96		64.47		67.19		65.76		61.63		68.30	
MEDIAN AGE	71		68		67		65		64		71	

ADULT DEPENDENTS-ACTIVE EMPLOYEES

TOTALS	691	1,808	1,195	3,538	459	914	270	664	145	287	15	
PLAN TOTALS	2,499		4,733		1,373		934		432		15	
AVERAGE AGE	45.57		44.45		40.21		41.36		39.22		35.33	
MEDIAN AGE	45		44		38		38		38		45	

ADULT DEPENDENTS-RETIRED & RESIGNED

TOTALS	215	2,052	162	2,102	11	104	12	82	14	14	5	
NO MED OVER 65	3	29	5	64	1		2		1		1	
PLAN TOTALS	2,267		2,264		115		94		14		5	
AVERAGE AGE	65.25		63.78		61.57		60.32		57.57		67.40	
MEDIAN AGE	66		64		63		61		55		69	

HEALTH SERVICE SYSTEM
CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP AGE STATISTICS 07/01/90

SURVIVING SPOUSE

	CITY - ADH.		KAISER		BRIDGEWAY		BAY PACIFIC		H E A L S		FOUNDATION	
	H	F	H	F	H	F	H	F	H	F	H	F
TOTALS	31	1,065	31	737	2	40	2	47		6		3
NO MED OVER 65		21	1	34		1		1				
PLAN TOTALS	1,096		768		42		49		6		3	
AVERAGE AGE	73.42		69.59		69.57		65.37		66.83		68.00	
MEDIAN AGE	74		71		70		65		68		74	

MINOR DEPENDENTS

TOTALS	2,146	2,117	5,310	5,090	1,515	1,484	1,001	942	439	444	15	19
PLAN TOTALS	4,263		10,400		2,999		1,943		883		34	
AVERAGE AGE	12.71		12.77		9.82		9.89		9.24		8.44	
MEDIAN AGE	13		13		9		9		8		13	

NON-MEMBER EXEMPT EMPLOYEES

TOTALS	458	559										
PLAN TOTALS	1,017											
AVERAGE AGE	44.39											
MEDIAN AGE	44											

HEALTH SERVICE SYSTEM

HEALTH PLAN ENROLLMENT AND TERMINATION REPORT FOR FISCAL YEAR 1989-90

MEMBERS	CITY PLAN	KAISER	BRIDGEWAY	FRENCH	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	ALL PLANS
NEW	1,595	3,443	1,864	7	633	797	37	344	8,720
TERMINATED	1,797	1,777	381	1,227	1,220	395	-	285	7,082
TOTAL	-202	1,666	1,483	-1,220	-587	402	37	59	1,638
<u>DEPENDENTS</u>									
NEW	1,533	2,984	1,747	4	619	550	53		7,490
TERMINATED	1,675	3,108	589	615	1,564	418		--	7,969
TOTAL	-142	-124	1,158	-611	-945	132	53		-479
GRAND TOTAL	-344	1,542	2,641	-1,831	-1,532	534	90	59	1,159

HEALTH SERVICE SYSTEM

ENROLLMENT AND TERMINATION REPORT FOR FISCAL YEAR 1988-89

	<u>CITY PLAN</u>	<u>KAISER</u>	<u>BRIDGEWAY</u>	<u>FRENCH</u>	<u>BAY PACIFIC</u>	<u>HEALS</u>	<u>MAXICARE</u>	<u>EXEMPT</u>	<u>ALL PLANS</u>
<u>MEMBERS</u>									
NEW	1,274	2,286	968	252	892	787	120	230	6,809
TERMINATED	1,649	1,638	376	393	512	173	934	270	5,945
TOTAL	-375	648	592	-141	380	614	-814	-40	864
<u>DEPENDENTS</u>									
NEW	1,255	2,492	1,025	175	1,003	716	96		6,762
TERMINATED	1,967	2,454	485	256	664	199	660		6,685
TOTAL	-712	38	540	-81	339	517	-564		77
<u>GRAND TOTAL</u>	-1,087	686	1,132	-222	719	1,131	-1,378	-40	941

MAY OPEN ENROLLMENT SUMMARY COMPARISON

	1990 <u>COMPARISON</u>	1989 <u>COMPARISON</u>	1988 <u>COMPARISON</u>	1987 <u>COMPARISON</u>
CITY PLAN				
Employees	(169)	(266)	(802)	(20)
Dependent	160	(355)	(880)	(6)
New Dependents	333	286	247	439
Dependents Cancelled	<u>(110)</u>	<u>(120)</u>	<u>(118)</u>	<u>(79)</u>
Net Gain/Loss	214	(455)	(1,553)	334
KAISER				
Employees	130	174	(58)	(233)
Dependent	19	161	682	(131)
New Dependents	724	631	610	702
Dependents Cancelled	<u>(255)</u>	<u>(147)</u>	<u>(106)</u>	<u>(104)</u>
Net Gain/Loss	618	819	528	234
BRIDGEWAY				
Employees	912	418	317	138
Dependent	767	300	207	14
New Dependents	253	183	169	137
Dependents Cancelled	<u>(73)</u>	<u>(54)</u>	<u>(20)</u>	<u>(33)</u>
Net Gain/Loss	1,859	847	673	(256)
FRENCH HOSPITAL PLAN				
Employees	--	(135)	(192)	(144)
Dependent	--	(72)	(43)	54
New Dependents	--	33	39	74
Dependents Cancelled	--	<u>(27)</u>	<u>(14)</u>	<u>(7)</u>
Net Gain/Loss	--	(201)	(210)	(131)
BAY PACIFIC PLAN				
Employees	(882)	225	460	27
Dependent	(959)	137	375	(30)
New Dependents	119	199	214	185
Dependents Cancelled	<u>(95)</u>	<u>(41)</u>	<u>(46)</u>	<u>(26)</u>
Net Gain/Loss	(1,817)	520	1,003	156
HEALS HEALTH PLAN				
Employees	67	500	178	151
Dependent	(37)	354	161	72
New Dependents	94	127	55	56
Dependents Cancelled	<u>(23)</u>	<u>(11)</u>	<u>(2)</u>	<u>(3)</u>
Net Gain/Loss	101	970	392	276
FOUNDATION*				
Employees	37	(855)	194	258
Dependent	50	--	98	151
New Dependents	3	--	45	68
Dependents Cancelled	<u>--</u>	<u>(545)</u>	<u>(8)</u>	<u>(7)</u>
Net Gain/Loss	90	1,400	329	470
EXEMPT				
	(95)	(61)	(97)	(177)
	<hr/> 970	<hr/> 1,039	<hr/> 1,065	<hr/> 1,418

*Statistics prior to 1990 are for Maxicare Health Plan.

SUMMARY OF 1989-90 OPEN ENROLLMENT HEALTH PLAN CHANGES

EMPLOYEES FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
T O :	PLAN 1	158	64		202	51		25	510	169-
	PLAN 2	277	75		144	114		68	678	130
	PLAN 3	238	266		466	83		22	1075	912
	PLAN 4									
	PLAN 5	44	35	10		8		8	105	882-
	PLAN 6	71	82	12	164			8	337	67
	PLAN 7	29	2	1	3	2			37	37
	PLAN E	20	5	1	8	2			36	95-
	TOTAL	679	548	163	987	270		131	2778	

DEPENDENTS FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
T O :	PLAN 1	98	40		224	55		333	760	383	214
	PLAN 2	129	37		86	53		724	1029	488	618
	PLAN 3	72	145		557	74		253	1101	947	1359
	PLAN 4										
	PLAN 5	15	12	1		8		119	155	935-	1817-
	PLAN 6	21	28		123			94	266	34	101
	PLAN 7	30	3	3	5	9		3	53	53	90
	PLAN E										95-
	CANCEL	110	255	73	95	23			554		
	TOTAL	377	541	154	1090	232		1526	3920		

HEALTH SERVICE SYSTEM

SUMMARY OF 1988-89 OPEN ENROLLMENT CHANGES

EMPLOYEES FROM :

T O :	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
PLAN 1		122	33	23	93	25	191	17	517	266-
PLAN 2	235		62	59	79	27	144	43	649	174
PLAN 3	204	125		101	50	7	61	8	576	416
PLAN 4	22	34	10		9	4	21	3	103	135-
PLAN 5	182	81	23	20		8	174	19	507	225
PLAN 6	116	104	23	34	51		231	12	571	500
PLAN 7										855-
PLAN E	24	9	2	1			5		41	51-
TOTAL	783	475	158	1,238	262	71	655	102	2964	

DEPENDENTS FROM :

T O :	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
PLAN 1		78	34	11	91	9	102	236	517	189-	455-
PLAN 2	175		62	26	43	20	83	631	1040	645	819
PLAN 3	202	58		45	57	6	55	183	606	429	367
PLAN 4	7	18	2		3		12	33	75	66-	201-
PLAN 5	192	40	10	7		10	129	199	537	295	520
PLAN 6	110	54	15	25	57		138	127	526	470	970
PLAN 7											
PLAN E										565-	1400-
CANCEL	120	147	54	27	41	11	23		420		61-
TOTAL	806	395	177	141	292	56	545	1659	3871		

SUMMARY OF 1989-90 OPEN ENROLLMENT DENTAL PLAN CHANGES

EMPLOYEES	FROM:	COLONIAL	SAFEGUARD	DENTICAPE	ADD	TOTAL	NET GAIN/LOSS
T O :							
	COLONIAL		74	184	551	809	456
	SAFEGUARD	21		56	309	386	114-
	DENTICAPE	132	294		1220	1646	1219
	CANCEL	200	132	187		519	1561-
	TOTAL	353	500	427	2080	3360	

VII. MEDICAL CLAIMS DIVISION

A. Responsibilities:

The Medical Claims Division is comprised of eighteen positions and is responsible for the following:

- . Process all medical claims and maintain records for members of the City Health Plan
- . Calculate and disburse benefit payments to members and providers
- . Respond to all claim benefit inquiries from members and providers
- . Provide supplemental health plan to Medicare for retired members
- . Coordinate third party liability recoveries from third party payors
- . Coordinate workers' compensation lien recoveries
- . Coordinate benefits with other group health insurance carriers.

B. Claim Statistics

The health plan paid out a total of \$31.6 million in benefits to or on behalf of plan members during the 1989-90 fiscal year. The claims experience report of the Plan is incorporated as part of this report.

The Division received over 200,538 claims during the year and processed these claims in an average turnaround time of 14.51 days.

The Preferred Provider program completed its seventh year and continued to be well received by members. The percentage of physician services provided by preferred providers has climbed from 44% in 1984-85 to 61% of all services in 1989-90 (69% of all non-medicare services and 39% of all medicare services). Inpatient hospital admissions at preferred hospitals has climbed from 47% in 1984-85 to 70% of all admissions in 1988-89 and has maintained that level during 1989-90.

CITY HEALTH PLAN I

Experience for the period July 1, 1989 through June 30, 1990

			LOSS RATIO	
	CONTRIBUTIONS	CLAIMS	FOR MONTH	CUMULATIVE
(1) <u>MEDICAL BENEFITS</u>				
Active Employees	\$13,044,283 ^a	\$11,836,548	86%	91%
Retired Employees (NM)	5,625,410	4,299,358	76	76
Retired Employees (M)	4,532,675	2,187,133	61	48
Adult Dependents (NM)	5,676,216	5,102,213	88	90
Adult Dependents (M)	754,866	373,975	58	50
Minor Dependents	<u>2,927,193^b</u>	<u>2,534,016</u>	<u>77</u>	<u>87</u>
TOTAL	\$32,560,643	\$26,333,243	80%	81%
(2) <u>PRESCRIPTION DRUG BENEFIT</u>				
Active Employees	\$ 1,786,537	\$ 1,621,508	101%	91%
Retired Employees (NM)	765,575	681,183	90	89
Retired Employees (M)	<u>2,226,206</u>	<u>2,125,817</u>	<u>98</u>	<u>95</u>
TOTAL	\$ 4,778,319	\$ 4,428,507	98%	93%
(3) <u>VISION CARE BENEFIT</u>				
Active Employees	\$ 510,330	\$ 471,787	97%	92%
Retired Employees (NM)	126,653	129,386	213	102
Retired Employees (M)	<u>368,035</u>	<u>258,772</u>	<u>37</u>	<u>70</u>
TOTAL	\$ 1,005,018	\$ 859,944	89%	86%
(4) <u>ALL COVERAGES</u>				
Active Employees	\$15,341,150	\$13,929,842	88%	91%
Retired Employees (NM)	6,517,638	5,109,926	80	78
Retired Employees (M)	7,126,916	4,571,722	71	64
Adult Dependents (NM)	5,676,216	5,102,213	88	90
Adult Dependents (M)	754,866	373,975	58	50
Minor Dependents	<u>2,927,193</u>	<u>2,534,016</u>	<u>76</u>	<u>87</u>
TOTAL	\$38,343,979	\$31,621,694	82%	82%

^a Includes \$1,000,000 of principal subsidy.

^b Includes \$702,000 of interest subsidy.

CITY HEALTH PLAN I
EXPENDITURES BY MODALITY OF SERVICE

	1989-90	1	1988-89	%	1987-88	%1	1986-87	2
Ambulatory Surgery Facility	1,322,328		1,020,826		906,622		696,294	
Hospital Emergency Room	712,128		830,534		933,039		787,223	
Inpatient Hospital	8,625,182		9,386,544		8,522,251		9,218,286	
Inpatient Psychiatric	237,540		237,527		178,593		113,806	
Inpatient Chemical Detox	37,323		137,131		205,460		100,350	
Hospitalization		35%	11,528,532	37%	11,150,065	35	10,915,959	37%
Medical Visits			3,347,050	11	3,773,831	12	3,406,727	12%
Surgery	3,595,446	10	3,455,050		3,604,978		3,571,949	
Anesthesiology	674,063		671,807		666,110		647,014	
Surgical		13	4,126,857	13	4,271,088	13	4,218,963	14%
Acupuncture	105,802		108,412		106,422		90,636	
Abx/X-ray	3,636,166		3,497,787		3,506,411 (11%)		3,037,918 (18.4%)	
Podiatry	622,462		621,703		604,306 (1.3%)		521,725 (1.8%)	
Medical Supplies & Equipment	240,261		175,018		164,146		219,896	
X-Ray Therapy	371,532		272,472		213,340		57,593	
Optical	64,329		87,429		358,544		481,534	
Nursing Services	146,700		186,572		592,316		452,998	
Physical Therapy	586,140		582,078		295,366		235,126	
Chiropractic	110,874		141,232		116,612		116,786	
Ambulance	150,130		1,222,300		917,636 (2.3%)		992,869 (3.4%)	
All other services	1,564,131							
Other		25	7,776,877	23	6,960,497	22	6,127,586	22%
Prescription Drugs		14	4,428,507	13	4,630,174	15	3,416,752	12%
Vision Care		3	859,944	3	968,698	3	879,770	3%
Total Expenditures	31,621,694	100%	31,149,527	100%	31,754,653	100%	29,165,758	100%
AVERAGE LIVES COVERED	23,748		23,892		25,040		27,007	

C. ACTUARIAL STATUS

Rael & Letson, as Consulting Actuary to the Health Service System, assists the Board in maintaining a sound actuarial position of the System. As part of their duties, they help establish the contribution rates for Plan I Medical benefits, the Prescription Drug coverage and the Vision benefit. In addition, they examine the renewal rates of the alternative plans, review the financial experience with the Board monthly and assist on all matters of an actuarial nature.

Their status report for the 1989-90 fiscal year is divided into four sections. In the first section, the claims experience and utilization of the benefits under Plan I is reviewed. The second section summarizes the construction of the contribution rates for Plan I for the 1990/91 fiscal year. The third section presents an analysis of the reserve position of the System as of June 30, 1990. The last section of the report, Rael and Letson presents comments, recommendations and certification as to the actuarial position of the Health Service System.

SECTION I

MEDICAL BENEFIT UTILIZATION - PLAN I

In reviewing the benefit utilization information, Real & Letson sets forth the claim breakdown by benefit category and the claim breakdown by employee and dependent categories for the last three fiscal years.

	<u>COST OF MEDICAL CLAIMS BY BENEFIT CATEGORY</u>		
	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>
Physician Visits	14.4	12.8%	11.8%
Hospital	42.6	44.0	42.5
Surgical	16.4	15.7	16.2
Other	<u>26.6</u>	<u>27.5</u>	<u>29.5</u>
	100.0%	100.0%	100.0%

As in previous years, the hospital expenses continue to account for close to half the cost of the medical benefit program. Physician visits and surgical services represent 28% and the balance of approximately 29% is Other benefits of which the major portion is diagnostic X-ray and laboratory services.

COST OF ALL CLAIMS BY BENEFIT CATEGORY

	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>
Physician Visits	11.9%	10.9%	9.9%
Hospital	35.1	37.0	35.4
Surgical	13.5	13.2	13.5
Other	21.9	23.2	24.5
Prescription Drug	14.6	13.1	14.0
Vision Care	<u>3.0</u>	<u>2.7</u>	<u>2.7</u>
	100.0%	100.0%	100.0%

Over a three year period, expenditures under the physician visit program have decreased a full percentage point in each of the last two years. Rael & Letson surmises that this is due to the implementation of the co-pay on the PPO side. Overall costs and utilization are increasing at a faster pace for x-ray and laboratory services. All other categories have remained fairly constant when comparing the three years above.

COST OF MEDICAL CLAIMS BY EMPLOYEE
AND DEPENDENT CATEGORY

	<u>1988/89</u>	<u>1989/90</u>
Active Employee	42.7%	45.0%
Retired & Resigned (NM)	15.0	16.3
Retired & Resigned (M)	9.6	8.3
Adult Dependents (NM)	19.9	19.4
Adult Dependents (M)	1.9	1.4
Minor Dependents	<u>10.9</u>	<u>9.6</u>
	100.0%	100.0%

As would be expected, the Active Employee represents by far the largest claim cost component and its percentage of total Plan payout has increased slightly. All other categories have remained relatively constant from the prior year's percentages to that of the current year.

CHANGES IN COMPOSITE CLAIM COSTS

As part of Rael & Letson's analysis, they have determined the composite claim cost increase for all of the employee and dependent benefit categories. The claim cost increases vary considerably between employees and dependents. The composite cost enables them to track the inflationary increase for Plan I members and dependents as a whole.

PHYSICIAN VISITS

The following are the percentage changes in claim costs for physician visits as outlined in Exhibit I of this section.

	<u>CLAIM COST INCREASE</u> <u>1989/90 OVER</u>	
	<u>1987/88</u>	<u>1988/89</u>
Active Employees	(6)%	(4)%
Retired & Resigned (NM)	(1)	3
Retired & Resigned (M)	(35)	(7)
Adult Dependents (NM)	(1)	(6)
Adult Dependents (M)	(32)	(12)
Minor Dependents	3	0
Composite	(10)	(5)

For the second consecutive year, the Active Employee average claim costs have decreased. The same type of experience is shown in the overall composite claim cost as well. This should be almost exclusively due to the implementation of higher co-pays which discouraged visits that were not medically necessary. Rael & Letson feels that abuse and over utilization of these benefits in the past have now been curtailed to a great extent. The results also bear out a greater percentage of office visits being attributed to physicians within the PPO network.

HOSPITAL BENEFIT EXPENSE

Following are the percentage changes for hospital expenses as outlined in Exhibit I.

	CLAIM COST INCREASE	
	<u>1989/90 OVER</u>	
	<u>1987/88</u>	<u>1988/89</u>
Active Employees	27%	8%
Retired & Resigned (NM)	10	21
Retired & Resigned (M)	(16)	(25)
Adult Dependents (NM)	18	(5)
Adult Dependents (M)	(39)	(39)
Minor Dependents	(9)	(16)
Composite	9	(1)

The composite claim cost for 1989/90 over 1988/89 decreased 1% as compared to a 10% increase for 1988/89 over 1987/88. Two of the largest categories, namely Active Employees and Retired & Resigned (NM), had increases of 8%, and 21% respectively. This experience was offset by better experience in the other groups.

The stable experience is mainly attributable to a combination of tolerable increases in the per diem rates of the Preferred Provider (PPO) hospitals, constant usage of the PPO hospital network, utilization review which minimizes unnecessary days in the hospital, and case management which allows for professionally managed alternative care in a less costly but medically appropriate environment for the patient. The experience was also favorably affected in this fiscal year by the last six months of expanded Medicare coverage due to the Catastrophic Coverage Act which was repealed on January 1, 1990.

SURGICAL

Following are the surgical claim cost changes which occurred during the year and are included in Exhibit I.

	<u>CLAIM COST INCREASE</u> <u>1989/90 OVER</u>	
	<u>1987/88</u>	<u>1988/89</u>
Active Employees	13%	8%
Retired & Resigned (NM)	(9)	(4)
Retired & Resigned (M)	1	6
Adult Dependents (NM)	15	1
Adult Dependents (M)	(26)	(15)
Minor Dependents	74	52
Composite	9	6

The actual increase for the past year, that is 1989/90 over 1988/89, was only 6% (despite the adverse experience in the Minor Dependent category). This would reflect a consistent percentage of surgeries performed by PPO physicians and minimal increases in the conversion factors and fee schedules.

Future cost increases will continue to depend to a great extent on negotiations with PPO providers along with general inflation and utilization patterns of participants.

OTHERS

X-RAY AND LAB., AMBULANCE AND OTHER MISCELLANEOUS SERVICES

Following are the percentage claim cost changes as outlined in Exhibit I.

	CLAIM COST INCREASE	
	<u>1989/90 OVER</u>	
	<u>1987/88</u>	<u>1988/89</u>
Active Employees	38%	14%
Retired & Resigned (NM)	17	17
Retired & Resigned (M)	(23)	(15)
Adult Dependents (NM)	27	19
Adult Dependents (M)	(43)	(26)
Minor Dependents	46	9
Composite	21	10

As mentioned in previous reports, claim costs under X-Ray and Lab have escalated rapidly because of new and more costly equipment and techniques as well as higher utilization through "defensive medicine" practiced by the medical profession as a result of malpractice awards.

The 10% composite increase during the most recent year is consistent with increases experienced by other health and welfare plans in Northern California and is comparable to the increase that Plan I experienced last fiscal year.

PRESCRIPTION DRUG EXPENSES

Overall drug expenditures were less than expected. (See Exhibit II). Most, if not all, of this favorable experience should be attributable to the change in administrator (from Paid Prescriptions to Pharmaceutical Card Systems effective July 1, 1989).

Savings were attributable to greater ingredient discounts and the negotiated schedule that PCS implements with the vast majority of pharmacists in the state when a prescription is filled generically.

The overall loss ratio from the fiscal year ending June 30, 1990 was 93% (expenditures being 7% less than anticipated).

VISION BENEFIT EXPENSES

Vision benefit expenses were also less than expected (See Exhibit II). Since Plan I uses Vision Service Plan as administrator and negotiator of fees for exams and materials, favorable experience of this magnitude (costs being 14% less than expected) is mainly due to lower utilization. The overall savings are almost exclusively attributable to the Retired (Med.) group.

Future increases are largely dependent upon changes in utilization patterns and the agreements negotiated by VSP with its panel of providers.

CLAIM COSTS FOR ALL BENEFITS

The foregoing figures for all benefits indicate favorable experience, especially under the medical and hospital categories. Greater usage of the PPO and successful negotiations with providers are the primary reasons that the overall inflation and utilization increases were under nationwide averages. When incorporating the interest and principal subsidies approved by the Board, the year end loss ratio for all benefits was a favorable 82% (claim expenditures were 18% less than contributions received).

SECTION II
CONTRIBUTION RATES FOR FISCAL YEAR 1990/91

In considering rates for the current fiscal year, Rael & Letson made estimates of the anticipated effect of higher utilization and inflation as well as including a supplement for the contingency reserve.

Based on the favorable experience during the first part of the 1989/90 fiscal year, the tolerable increases in prior years to PPO providers that have developed a trend for future increases and the additional strength of the contingency reserve, the Board decided to maintain the out of pocket premiums paid by the participants in Plan I for the 1990/91 fiscal year (See Exhibit III).

SECTION III

RESERVES HELD BY THE HEALTH SERVICE SYSTEM

Since October 1981, Rael & letson has have been receiving monthly data on medical claims paid during a month, by the month in which they were incurred. This data enables them to determine the actual reserve requirement for incurred but unpaid claims and project that requirement for future years. Following are the reserves required based on historic experience for the five most recent fiscal years.

<u>DATE</u>	<u>ACTUAL PAYOUT OF MEDICAL CLAIMS INCURRED PRIOR TO THAT DATE AND PAID AFTER</u>
July 1, 1985	\$ 3,679,688
July 1, 1986	4,687,959
July 1, 1987	5,057,103
July 1, 1988	5,935,344
July 1, 1989	5,134,452

In last year's report, Rael & Letson projected a reserve requirement for medical benefits of \$5,875,000 which was approximately \$740,000 more than the actual requirement of \$5,134,452. The calculation of the expected run-out for the 12 months after June 30, 1990 (\$6,589,000), was based on the actual run-out during the first two months of the 1990/91 fiscal year projected forward.

The balance sheet on the following page reflects additional reserves needed for prescription drug and vision benefit expenses for claims incurred prior to July 1, 1990 but to be paid after that date.

SAN FRANCISCO HEALTH SERVICE SYSTEM

BALANCE SHEET AS OF JUNE 30, 1990

Assets

Total	\$ 30,883,478
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Liabilities

Reserves Required:

Plan I Medical Benefits	\$ 6,589,000
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Prescription Drug	738,000*
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Vision Care	<u>144,000*</u>
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	\$ 7,471,000
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HMO premiums payable	1,988,052
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Unearned Contributions	<u>4,423,044</u>
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Total Liabilities	\$ 13,882,096
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Contingency Reserve	<u>17,001,382</u>
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TOTAL	\$ 30,883,478
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* Equal to two months average claims.

The asset figures were obtained from financial statements prepared by Peat, Marwick and Mitchell. The estimated contingency reserve as of 6/30/90 is \$17,001,382 which represents an increase of \$9,835,339 during the 1989-90 Plan Year.

This increase was comprised mainly of favorable experience under Plan I, investment income and additional revenue generated due to City contributions being greater than certain HMO premiums charged.

SECTION IV
COMMENTS AND RECOMMENDATIONS

The PPO provided under Plan I has now been in place for over six years. Continued usage of the PPO can help control medical inflationary costs to some extent. Rael & Letson feels there is enough incentive built into the benefit structure to encourage Plan I members to utilize the PPO.

There has been, however, a reduction in the number of participants enrolled in Plan I. Plan I's share of the overall membership has also been declining. Rael & Letson feels that this is mainly attributable to the out of pocket expense borne by the member each month, since the City's contribution is insufficient to support the cost of benefits. They perceive that, as this process continues, Plan I will be left with a more costly population as the younger, and less costly employees, leave Plan I for financial reasons.

Rael & Letson asks that the Board consider re-evaluating the process by which it determines the out of pocket expense required by participants. They suggest that the benefits are reduced enough under the fee-for-service Plan and that by requiring an out-of-pocket contribution, the stability of the Plan I membership is being diminished.

In almost all of the other Trust Funds that they serve, there is no out-of-pocket expense to the employee. If there is a self-contribution, the rate is the same for all employees regardless of the plan chosen. Different contribution rates lead to selection problems that they feel are currently affecting Plan I.

As Rael & Letson suggests in all their reports, they strongly recommend an independent audit of medical claims to verify accuracy. This practice is routinely done by Trust Funds of this size on an annual basis.

The contingency reserve as of June 30, 1990 was approximately \$17,000,000. A minimum reserve target, based on current claim levels, would be \$5,300,000, with a reserve of \$15,800,000 being optimal. These figures represent two and six months worth of claims paid for the year ending June 30, 1990. A contingency reserve is necessary to pay for unanticipated adverse experience in future years.

EXHIBIT I
MONTHLY MEDICAL CLAIM COSTS BY BENEFIT

		1987-88	1988-89	1989-90	Percentage Increase	
		Fiscal Yr.	Fiscal Yr.	Fiscal Yr.	1989-90 Over 1987-88	1988-89
Active Employee	Phy. Vis.	\$ 15.64	\$ 15.33	\$ 14.69	(6)%	(4)%
	Hospital	43.58	51.48	55.40	27	8
	Surgical	17.00	17.88	19.25	13	8
	Other	<u>30.95</u>	<u>37.62</u>	<u>42.70</u>	38	14
	Total	\$ 107.17	\$ 122.31	\$ 132.04	23 %	8 %
Retired & Resigned						
(No Medicare)						
	Phy. Vis.	\$ 19.79	\$ 19.10	\$ 19.63	(1)%	3 %
	Hospital	86.66	78.93	95.73	10	21
	Surgical	30.90	29.08	28.02	(9)	(4)
	Other	<u>44.04</u>	<u>44.08</u>	<u>51.46</u>	17	17
	Total	\$ 181.39	\$ 171.19	\$ 194.84	7 %	14 %
Retired & Resigned						
(Medicare)						
	Phy. Vis.	\$ 5.79	\$ 4.03	\$ 3.74	(35)%	(7)%
	Hospital	14.80	16.69	12.44	(16)	(25)
	Surgical	8.72	8.30	8.83	1	6
	Other	<u>11.47</u>	<u>10.48</u>	<u>8.88</u>	(23)	(15)
	Total	\$ 40.78	\$ 39.50	\$ 33.89	(17)%	(14)%
Adult Dependents						
(No Medicare)						
	Phy. Vis.	\$ 11.22	\$ 11.85	\$ 11.15	(1)%	(6)%
	Hospital	37.50	46.44	44.09	18	(5)
	Surgical	14.92	16.96	17.15	15	1
	Other	<u>23.37</u>	<u>25.07</u>	<u>29.78</u>	27	19
	Total	\$ 87.01	\$ 100.32	\$ 102.17	17%	2 %
Adult Dependents						
(Medicare)						
	Phy. Vis.	\$ 5.33	\$ 4.08	\$ 3.60	(32)%	(12)%
	Hospital	13.34	13.25	8.11	(39)	(39)
	Surgical	8.92	7.83	6.63	(26)	(15)
	Other	<u>13.00</u>	<u>9.98</u>	<u>7.35</u>	(43)	(26)
	Total	\$ 40.59	\$ 35.14	\$ 25.69	(37)%	(27)%
Minor Dependents						
	Phy. Vis.	\$ 22.86	\$ 23.34	\$ 23.45	3 %	0 %
	Hospital	50.20	54.27	45.75	(9)	(16)
	Surgical	10.63	12.19	18.48	74	52
	Other	<u>19.61</u>	<u>26.28</u>	<u>28.68</u>	46	9
	Total	\$ 103.30	\$ 116.08	\$ 116.36	13 %	0 %
Composite						
	Phy. Vis.	\$ 13.23	\$ 12.45	\$ 11.85	(10)%	(5)%
	Hospital	39.10	42.87	42.65	9	(1)
	Surgical	14.98	15.35	16.26	9	6
	Other	<u>24.41</u>	<u>26.84</u>	<u>29.54</u>	21	10
	Total	\$ 91.72	\$ 97.51	\$ 100.30	9 %	3 %

EXHIBIT II

MONTHLY PRESCRIPTION DRUG AND VISION CARE COSTS

(INCLUDES ADMINISTRATION COSTS)

	1987-88 <u>Fiscal Yr.</u>	1988-89* <u>Fiscal Yr.</u>	1989-90 <u>Fiscal Yr.</u>	Percentage Increase <u>1989-90 Over</u>	
				<u>1987-88</u>	<u>1988-89</u>
Category (Dep. Included)					
Active Employee					
Drug	\$18.95	\$17.35	\$18.09	(5) %	4 %
Vision	5.57	5.20	5.26	(6)	1
Retired & Resigned (NM)					
Drug	\$31.34	\$30.37	\$30.87	(1) %	2 %
Vision	6.38	5.24	5.86	(8)	12
Retired & Resigned (M)					
Drug	\$32.23	\$28.32	\$32.94	2 %	16 %
Vision	4.15	3.81	4.01	(3)	5
Composite					
Drug	\$24.90	\$22.95	\$25.13	1 %	9 %
Vision	5.21	4.70	4.88	(6)	4

*Cost decreases are due to increased co-payments

EXHIBIT III

HEALTH SERVICE SYSTEM

MONTHLY CONTRIBUTION RATES FOR 1990-91 FISCAL YEAR

	<u>Active</u>	<u>Retired No Med.</u>	<u>Retired Med.</u>	<u>Adult Dep. No Med.</u>	<u>Adult Dep. Med.</u>	<u>Minor Dep.</u>
1. 1989-90 Monthly Rates	\$160.35	\$301.74	\$122.63	\$109.97	\$51.61	\$87.06
2. 1990-91 Monthly Rates needed assuming trend	\$176.88	\$301.74	\$122.63	\$130.68	\$51.61	\$111.95
3. 1990-91 Monthly Rates Approved by Board	\$180.30	\$301.74	\$122.63	\$109.97	\$51.61	\$87.06
4. Percentage Change	12.4%	0.0%	0.0%	0.0%	0.0%	0.0%

D. Cost Containment Programs

The Health Service Board continued to pursue the maintenance and implementation of effective health care cost containment programs during this fiscal year.

The pre-certification and concurrent review of all hospital admissions which was begun in January, 1983 has resulted in a stabilization of hospital admissions with another decrease in hospital admissions and hospital days per 1,000 members during the 1989-90 benefit year.

The admissions per 1,000 members decreased from 87 per 1,000 as of June 30, 1989 to 86 per 1,000 as of June 30, 1990. Hospital days per 1,000 decreased from 475 per 1,000 as of June 30, 1989 to 449 per 1,000 as of June 30, 1990. The average length of stay in the hospital decreased from 5.42 in 1988-89 to 5.23 days in 1989-90, with contract hospital stays at 5.00 days and non-contract stays at 5.77 days. Total hospital days decreased from 8,572 in 1988-89 to 7,701 in 1989-90.

Overall inpatient hospital costs increased only 12.9% as a result of fewer admissions and hospital days, as well as a lower average length of stay. However, there was a significant overall increase of 25.6% increase per day of hospitalization. This was comprised of a 19.8% increase for contract hospitals and a 30.6% increase for non-contract hospitals.

Overall retail hospital charges increased from \$1,500 per day in 1988-89 to \$1,824 per day in 1989-90. Preferred provider hospitals were paid an average of \$990 per day and non-contract hospitals \$1,633 per day for services rendered to members while the overall average paid was \$1,201 compared to \$956 in 1988-89.

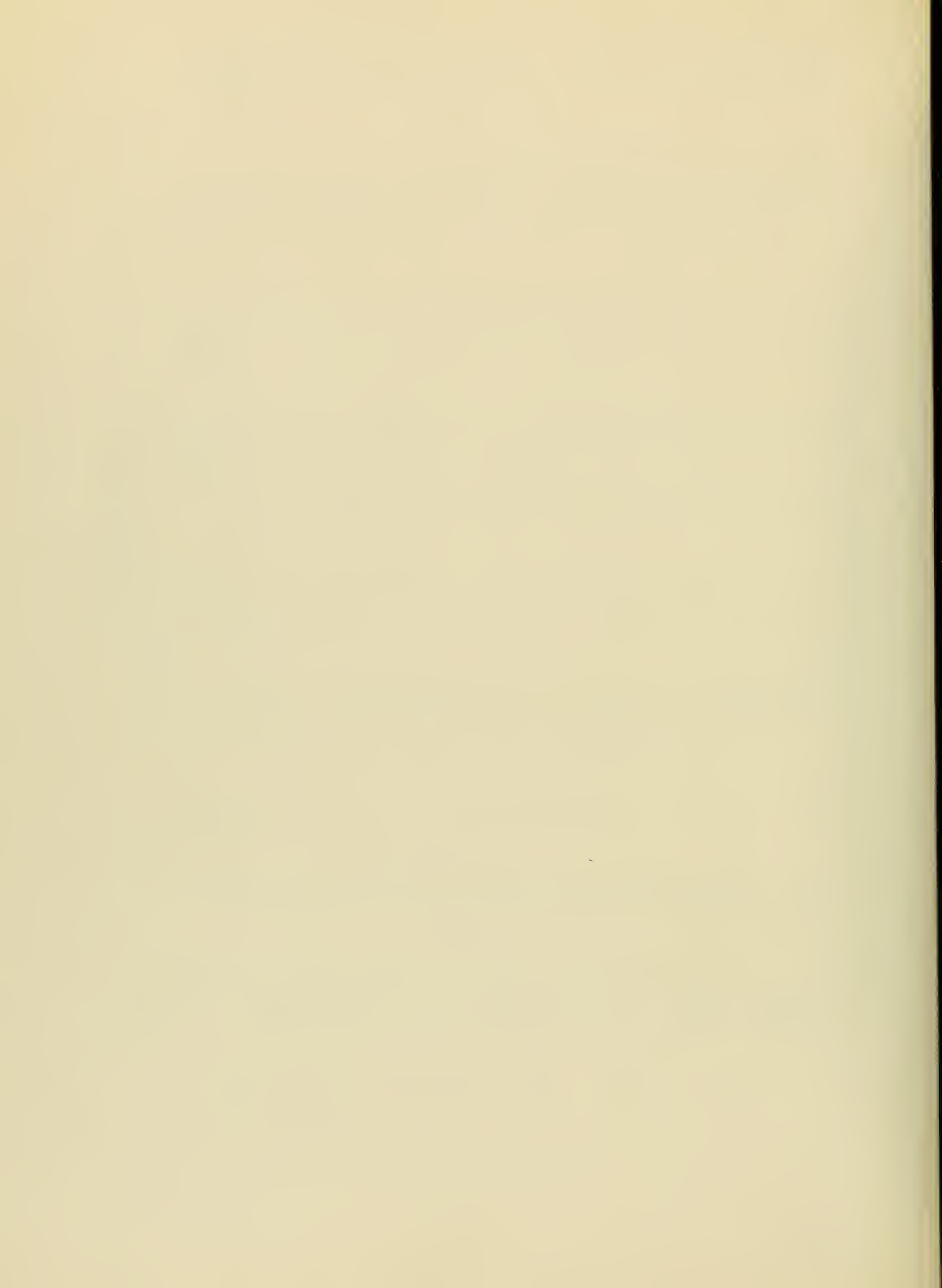
An inpatient hospitalization summary from 1981-82 through 1989-90 is incorporated as part of this report.

Other cost containment tools resulting in recovery of benefit expenditures in 1989-90 were third party liability recoveries at \$39,106, workers compensation lien recoveries at \$142,631, and hospital bill audit recoveries of \$22,710.

In addition, \$488,812 was avoided in benefit expenditures because of coordination of benefits (COB) with commercial insurance carriers and another \$409,870 was avoided because of fee charges in excess of usual and reasonable as determined by the Plan during the 1989-90 fiscal year.

CITY HEALTH PLAN I
FISCAL YEAR COMPARISON
NON-MEDICARE INPATIENT HOSPITALIZATION

PERIOD	ADH	ADH PER 1,000	DAYS	DAYS PER 1,000	LOS	AVERAGE CHARGE PER DAY	AVERAGE PAYMENT PER DAY	BILLED CHARGES	PAID CHARGES
07/01/81 - 06/30/82	2,074	104	11,969	598	5.82	\$ 665	\$ 554	\$ 7,959,385	\$ 6,630,826
07/01/82 - 06/30/83	2,037	104	10,712	549	5.26	805	668	8,626,356	7,160,688
07/01/83 - 06/30/84	1,808	95	9,695	510	5.36	951	773	9,216,109	7,490,911
07/01/84 - 06/30/85	1,745	92	9,445	497	5.41	969	748	9,150,079	7,067,923
PPO (47%)	819		4,247		5.18	1,011	673	4,294,672	2,858,750
STANDARO (53%)	926		5,198		5.61	934	810	4,855,407	4,209,173
07/01/85 - 06/30/86	1,861	91	10,287	502	5.52	1,092	776	11,231,453	7,984,907
PPO (58%)	1,079		6,005		5.56	1,057	641	6,345,394	3,846,286
STANDARO (42%)	782		4,282		5.48	1,141	967	4,886,059	4,138,621
07/01/86 - 06/30/87	1,928	95	9,828	484	5.09	1,232	847	12,104,616	8,323,672
PPO (52%)	1,186		5,861		4.94	1,214	695	7,115,155	4,073,808
STANDARO (38%)	742		3,967		5.35	1,258	1,071	4,989,461	4,249,864
07/01/87 - 06/30/88	1,921	94	10,224	499	5.32	1,291	834	13,196,622	8,526,421
PPO (68%)	1,334		6,758		5.06	1,309	729	8,846,172	4,928,170
STANDARO (31%)	587		3,466		5.90	1,255	1,038	4,350,449	3,598,250
07/01/88 - 06/30/89	1,579	87	8,572	475	5.42	1,500	956	13,371,495	8,191,000
PPO (70%)	1,107		5,954		5.37	1,592	826	9,417,112	4,917,542
STANDARO (30%)	472		2,618		5.55	1,510	1,250	3,954,382	3,273,488
07/01/89-06/30/90	1,471	86	7,701	449	5.23	1,824	1,201	14,046,003	9,251,266
PPO (70%)	1,032		5,168		5.00	1,789	990	9,244,294	5,114,675
STANDARO (30%)	439		2,533		5.77	1,896	1,633	4,801,709	4,136,591



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Health Service System

Annual Report

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Fiscal Year July 1, 1990 - June 30, 1991

HEALTH SERVICE SYSTEM

ANNUAL REPORT

FISCAL YEAR JULY 1, 1990 - JUNE 30, 1991

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I. HISTORY OF THE HEALTH SERVICE SYSTEM

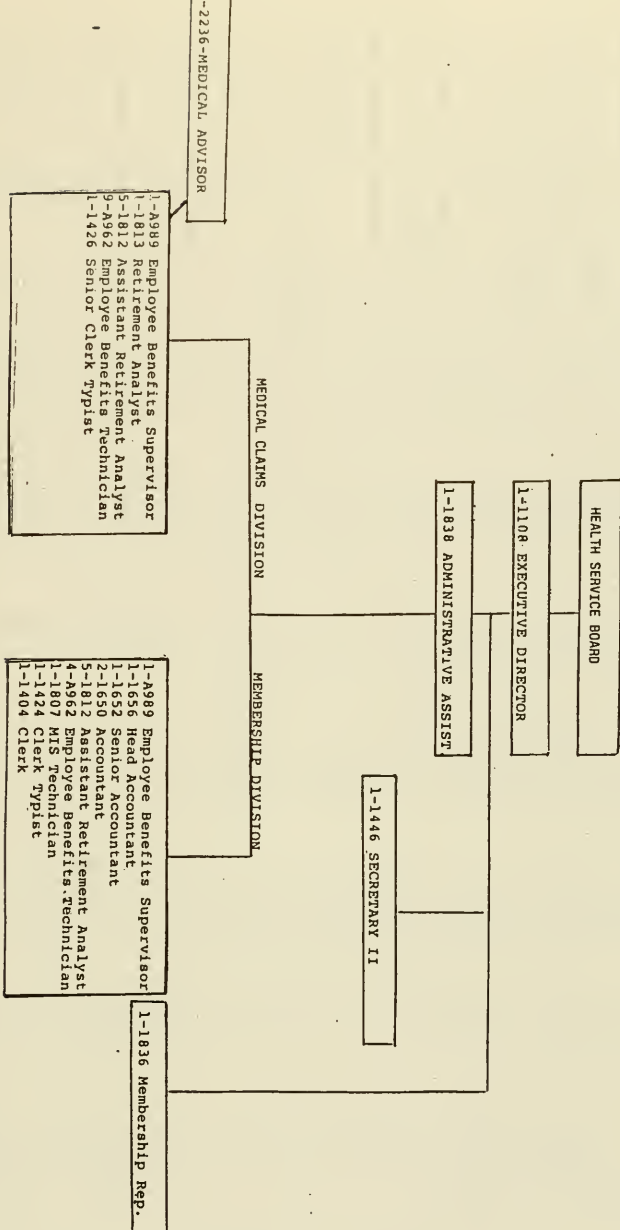
The Health Service System was established by Charter Amendment in March of 1937 and has been conducting business officially since October, 1938. The Health Service System was the culmination of several years of effort on the part of employees of the City and of the Board of Education to secure a workable low cost method of group health protection for themselves and their dependents. The Health Service System became a department of the City and County of San Francisco in 1961.

The System was unique when it was established because it provided for a self-funded medical plan to provide medical protection to 10,293 employees and 5,577 dependents. Today, it is one of the largest county or municipal plans in the United States handling its medical program on a self-funded and self-administered basis with 45,933 active and retired employees and 38,247 dependents as of June 30, 1991.

II. ORGANIZATIONAL COMPOSITION

The Health Service System is administered by the Health Service Board through its Executive Director. The System is organizationally divided into three divisions: Administration, Membership and Medical Claims. The department had a total of 39 permanent positions in the 1990-91 fiscal year.

HEALTH SERVICE SYSTEM
TABLE OF ORGANIZATION
1990-91



39 Permanent
Positions

III. HEALTH SERVICE SYSTEM
COMPARISON OF EXPENDITURES
FISCAL YEARS 1990-91 AND 1989-90

	1990 - 1991				1989 - 1990			
	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL
001 Permanent Salaries-Misc.	153,684	470,752	657,283	1,281,719	159,562	414,114	560,982	1,134,658
010 Overtime	638	177	-0-	815	620	692	90	1,402
060 Mandatory Fringe Benefits	38,749	120,839	169,726	329,314	36,222	106,445	149,826	292,493
106 DE/MP Equipment Maint.	3,675	21,847	31,131	56,653	3,017	29,485	41,460	73,962
109 Other Contractual Services	6,602	3,332	247,183	257,117	2,367	125	191,923	194,415
120 Other Services	7,335	8,428	42,112	57,875	37,847	11,247	4,259	63,353
130 Materials & Supplies	2,355	12,262	5,350	19,967	4,530	12,604	4,965	22,099
146 Rental of Property	95,977	-0-	-0-	95,977	105,633	-0-	-0-	105,633
220 Equipment Purchase	4,338	1,647	-0-	5,985	27,319	-0-	-0-	27,319
303 Real Estate	88	-0-	-0-	88	5,000	-0-	-0-	5,000
313 Civil Service Mgmt. Training	447	-0-	-0-	447	-0-	-0-	-0-	-0-
320 Engineering	-0-	-0-	-0-	-0-	2,583	-0-	-0-	2,583
329 Registrar of Voters	10,461	-0-	-0-	10,461	-0-	-0-	-0-	-0-
330 Light, Heat & Power	1,432	-0-	-0-	1,432	10,253	-0-	-0-	10,253
340 Controller's - EDP	-0-	87,012	59,460	146,472	-0-	108,316	45,050	153,366
350 Printing & Reproduction	3,682	5,002	2,297	10,981	616	2,034	3,000	5,650
351 City Mail Services	13,529	-0-	-0-	13,529	12,306	-0-	-0-	12,306
365 CAO-Ins. & Risk Reduc.	682	-0-	-0-	682	680	-0-	-0-	680
370 Workmen's Comp.	20,752	-0-	-0-	20,752	7,675	-0-	-0-	7,675
339 Controller-Audit	19,000	-0-	-0-	19,000	19,000	-0-	-0-	19,000
420 Legal Service-City Atty.	168,246	-0-	-0-	168,246	54,005	-0-	-0-	54,005
	551,672	731,298	1,214,542	2,497,512	489,235	685,062	1,011,555	2,185,852

IV. HEALTH SERVICE BOARD

Charter Section 3.680 provides for the establishment of a Health Service Board and Section 3.681 prescribes the power and duties of the Board. The Health Service Board is charged with the fiduciary responsibility of maintaining the financial integrity of the Health Service System Trust Fund and of adopting a health plan or plans for the rendering of medical care to members of the System with the ultimate objective of providing the most comprehensive medical coverage possible at the most reasonable cost to all its members.

The Board is composed of seven members; three members elected from the membership at large, two ex-officio members from City government, and two members appointed by the Mayor. The mayoral appointees represent expertise from the insurance profession and from the medical profession. Members of the Board during the 1990-91 fiscal year were:

Employee Members: Harry Paretchan, President
Fire Department (Term expires May 15, 1996)

Claire Zvanski, Vice President
Municipal Railway (Term expires May 15, 1993)

James M. Deignan, Commissioner
Police Department (Term expires May 15, 1994)

Ex-Officio Members: Jim Gonzalez, Chair
Finance Committee, Board of Supervisors
(Term began January, 1991)

George E. Krueger, Commissioner
Representing City Attorney
(Term began March 22, 1984)

Nancy Walker, Chair
Finance Committee, Board of Supervisors
(Term ended January, 1991)

Appointed members: Sidney E. Foster, M.D., Commissioner
(Term expires May 15, 1992)

Jackson A. Loos, Commissioner
(Term expires May 15, 1995)

The Board's major functions and responsibilities consist of many comprehensive activities:

1. Determine policies relative to the management and administration of the Health Service System.
2. Oversee all operations to be certain they are in conformance with the provisions of the trust (as provided by the Charter), the plan of benefits, the laws pertaining to health and welfare trusts, and the decisions of the trustees as recorded in the minutes of Board meetings.
3. Determine and approve a budget for administration of the Health Service System.
4. Establish the level of benefits the fund can afford, which involves a number of interrelated problems such as:
 - a. Estimating the fund's probable income from all sources.
 - b. Estimating the fund's expenses.
 - c. Determining the desired level of the various reserves and the desired speed of reserve accumulation.
 - d. Determining eligibility rules.
 - e. Estimating the amount of money available for benefits.
 - f. Estimating the number of employees who will be eligible.
 - g. Calculating the amount of money available for benefits for each employee and his or her dependents.
 - h. Selecting the most desirable combination of benefits that can be provided.
 - i. Fixing rates of contributions for members.
5. Approval of contractual obligations and transfer and appropriation of funds.
6. Attend Board and Committee meetings and see to it that minutes are accurate and complete.
7. Determine whether or not the fund will self-insure or utilize the services of an insurance company.
8. Establish the fund's investment policy.
9. Establish employee delinquency procedures.
10. Hear grievances from employees.
11. Report to the employees and to the employer concerning the operation of the fund.
12. Selection of advisors. Advisors may include among others: a consulting actuary, attorney, auditor, benefits consultant and investment advisor.
13. Review of the performance of the administrator and all advisors to the trustees.

V. ADMINISTRATION DIVISION

A. Responsibilities:

The Administration Division is responsible for the following functions:

- . Administer health, dental, disability insurance, cafeteria plan and dependent care assistance plan for all eligible City, School District and Community College District employees, active and retired, and their dependents
- . Plan, organize, actuate and control management policies
- . Implement Health Service Board policies and programs
- . Conduct Board and Committee meetings
- . Prepare and maintain Board calendars, minutes, records, and reports
- . Determine personnel and budget requirements
- . Provide liaison with City departments and other agencies
- . Develop plans and programs
- . Conduct Health Service surveys and investigations
- . Manage Health Service Trust Fund
- . Provide personnel and payroll services

B. Rules and Regulation Changes:

The Health Service Board, through its committee structure, reviewed the Rules and Regulations of the System during 1990-91 to ensure that they were in conformance with current practice, Charter changes and State and Federal Laws.

The following rule changes were made during the 1990-91 fiscal year expanding membership eligibility to include the domestic partners of members effective July 1, 1991:

- . A member's legal spouse or domestic partner. A spouse from whom the member has been granted a final dissolution of marriage, or from whom he has been legally separated shall not be eligible. A "domestic partner" of a member is defined as an individual who satisfies the following conditions and intends to continue to do so indefinitely:
 - 1) shares the same principal residence as the member;
 - 2) has reached the age of 18;
 - 3) neither the individual nor the member is married or has another domestic partner;
 - 4) under California law would not be prevented from marrying the member on account of relationship to the member;

- 5) the member and the individual are liable to third parties for any obligations incurred by the other for the common necessities of life, defined as food, shelter, and medical care and this shall remain the case for expenses incurred during the period that the non-employee domestic partner is covered by the Health Service System;
- 6) shares the common necessities of life; and
- 7) the member and the domestic partner have executed a Declaration of Domestic Partnership and have either filed it with the County Clerk of San Francisco or had it notarized and given a copy to the witness.

Domestic partner status shall be established by filing with the Health Service System an Affidavit executed by both the individual and the member that all of the above requirements are satisfied.

- . a natural or legally adopted child of an enrolled domestic partner of an employee or a child under legal guardianship of an enrolled domestic partner. For purposes of the requirements of (b)(4) and (c)(3), the child's eligibility to be declared as a dependent on the domestic partner's federal income tax return shall be sufficient.
- . Domestic partners may be enrolled in the System only at the time of open enrollment, provided that if the individual is hospital confined, the effective date of coverage shall be the date that the individual no longer is hospital confined.

Pertinent excerpts of the current Rules and Regulations of the System are printed on the Comparison of Health Plans brochure which is published and distributed each year to every active and retired employee member. Individual benefit plan booklets detailing the specific benefits of each plan are also made available to members of each plan as well as to members at large.

C. Benefit Plans:

The 1990-91 fiscal year saw a continued expansion in employee benefits with the inclusion of a Dependent Care Assistance Program offered under the Internal Revenue Service Section 125 Flexible Benefit Plan.

The Section 125 Plan allows an employee to enter into a salary reduction agreement with the employer thereby allowing the employee to pay any benefit plan premiums which they may be obligated to pay on a pre-tax rather than on a post-tax basis as is customary.

This program provided a tremendous tax savings to the thousands of employees who are participating in the Plan. It is a significant financial benefit considering that the City pays no portion of dependent's medical premiums, nor does it provide a contribution toward dental coverage.

The choice of six health plans were offered to the membership during the 1990-91 fiscal year:

The City Health Plan; Kaiser Permanente Health Plan; Bridgeway Health Plan; French Health Plan; Bay Pacific Health Plan; and Heals Health Plan. These six plans provided a balanced selection of health plan options.

The City Health Plan is a fee for service indemnity health plan providing a free choice of covered medical providers. In addition, a Preferred Provider Program was included under the plan for the seventh year.

A Preferred Provider Program is one in which the Health Service System enters into agreements with selected hospitals, physicians and other health professionals to provide medical services to employees and dependents on a discounted fee basis. Members of the health plan are then given economic incentives to utilize selected physicians, hospitals and other health care professionals when requiring medical care.

The program is characterized by the use of a continuum of managed care services including inpatient hospital utilization, selected second surgical opinion review and case management.

The System currently has agreements with seventeen hospitals and over 1,500 physicians and other health care professionals in the Bay Area. An agreement also continues with a hospital and its physicians in Tuolumne County to cover employees who work for the Public Utilities Commission at Hetch Hetchy.

The System also offered five alternative health maintenance organizations for employees to select.

A health maintenance organization provides a comprehensive set of plan benefits including hospital, surgical and medical care for a prepaid amount of cost. There is usually no cost or only small copayments required when seeking medical care from plan providers.

The Kaiser Health Plan, is a staff model health maintenance organization (HMO) which is hospital based. Bay Pacific Health Plan and Heals Health Plan arrange for the provision of health care through an individual practice association (IPA) HMO model which provides physician services primarily from individual private practice physician offices. The Bridgeway Plan for Health provides services both as a hospital based staff HMO, as well as an IPA health maintenance organization.

The Foundation Health Plan was added effective July 1, 1990 to provide active and retired employees residing in Tuolumne County and the surrounding counties access to a health maintenance organization option.

The Kaiser Health Plan has been offered to City employees since 1949; Bridgeway Health Plan since 1978; the Bay Pacific Plan since 1981, and the Heals Health Plan has been offered since 1986.

The three dental plans added to the benefit program effective December 1, 1988, the Colonial, DentiCare and Safeguard Dental Plans, continued to be provided during 1990-91.

The Colonial Dental Plan is underwritten by Colonial Life & Accident Insurance Company and is an indemnity fee for service dental plan. Employees have a free choice of dentist and are indemnified for services rendered based on a percentage reimbursement schedule.

The DentiCare and Safeguard Dental Plans are prepaid capitated programs. These plans are distinguished from the indemnity plan by their lower premium schedule and by the fact that there are nominal or no copayments required for services provided. The patient must, however, select a participating dentist and receive all dental services from that provider with the exception of specialty service referrals.

This type of plan is characterized by payment to the participating dentist of a set monthly fee or capitation per patient in exchange for the dentist providing all necessary services to each covered patient.

The short term disability plan offered is underwritten by Colonial Life & Accident Insurance Company. It provides disability benefits for up to one year after accident or sickness.

The accident plan provides lump sum benefits for specific injuries/services such as fractures, dislocations, cuts and burns, as well as hospital confinement and death and dismemberment benefits. The accident benefits are paid beginning with the first day of accidental injury.

Sickness disability benefits are payable on the 15th day of disability. If the sickness is severe enough to require hospitalization, the benefits begin on the 1st day of disability.

D. City Fiscal Contribution:

Effective July 1, 1990, the City and County of San Francisco, School District and Community College District contributed \$142.24 per month for each eligible active employee into the Health Service Trust Fund. This amount represented an increase of \$19.95 per month or 16.3% above the employer's contribution for the previous fiscal year and represented 100% of the average being contributed by the ten (10) most populous counties in the State of California as determined by survey conducted pursuant to Charter Section 8.423. The employer contribution is based on the employee only contribution of other counties and does not include any consideration of what another county might contribute toward dependent's health premiums.

The City, School District and Community College District also contribute toward the cost of retired employees health coverage. The Charter requires that retired employees not pay more out of pocket each month than an active employee, and that the City contribute the funds necessary to defray the difference in cost to provide the same health coverage to retired employees as is provided to active employees. The amount that the employer must contribute will therefore fluctuate because of the different costs for each plan.

The Charter also provides that retired persons shall have their medical contributions reduced by the amount they must pay Medicare. Hence, a retired person in Medicare will have his Health Service medical contributions reduced by the Medicare contribution for that year. The cost of Medicare coverage during the 1990-91 fiscal year was \$28.60 per month.

The Health Service Board adopted a rule in March 1975, later amended several times which provides that:

All members and dependents who attain age 65 and who qualify for eligibility in the Part A (HOSPITAL) portion of Medicare on a non-contributory basis must enroll to remain a member of the Health Service System.

Retired members and their dependents who qualify for Part A on a non-contributory basis must enroll in the Part B (Medical) portion of Medicare to remain a member of the Health Service System.

All retired members and their dependents who qualify for early Social Security, and thereby become eligible for Medicare Part A and B portions, must enroll to remain a member of the Health Service System.

Active employees and their dependents over the age of 65 must enroll in the Part B (MEDICAL) portion of Medicare upon retirement if eligible for Part A on a non-contributory basis.

This rule provision has saved the City and County millions of dollars in additional health insurance costs for retired employees over the years it has been in effect. It will continue to save many more dollars in future years even with the Federal Government's efforts to cut and shift costs of the Medicare program from the government to Medicare beneficiaries and their former employers.

A cost reduction to the employer of approximately \$16.3 million was generated in the 1990-91 fiscal year alone because of Medicare membership. The establishment of Medicare as the primary source of financial responsibility allows all health plans to provide their services to retired employees, and the City at a lower rate. The number of retired employees and dependents over 65 years without Medicare coverage continues to decline each year as the pre-1975 retirees leave the System.

E. Financial Status

The Health Service System ended the 1990-91 fiscal year in its strongest financial condition in history. It was the third straight year of increasing assets reversing a decline in net assets which had occurred during the three prior fiscal years. The net assets of the System available for health benefits at close of business on June 30, 1991 were \$20.3 million which represented an increase of about \$3.3 million over the net assets available on June 30, 1990.

The revenues for the fiscal year amounted to \$122.0 million of which 59.9% or \$73.1 million were contributed by the City, School District and Community College District and 38.4% or \$46.8 million were contributed by employees. In addition, \$2.1 million was collected in interest earnings on the reserves and assets of the System.

The expenditures of the System included approximately \$39.6 million in benefits under the City Health Plan and \$79.0 million in premium payments to benefit plan contractors.

The Statements of Net Assets Available for Health Benefits, the Statements of Changes in Net Assets, and the Investment Report as of close of business June 30, 1991 follow and are incorporated as part of this report.

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Net Assets
Available for Health Benefits

June 30, 1991 and 1990

	<u>1991</u>	<u>1990</u>
Assets:		
Equity in treasurer's cash	\$31,399,840	24,392,786
Contributions receivable from		
City and County agency funds	4,659,440	5,999,881
Interest receivable	639,738	482,166
Accounts receivable	<u>10,605</u>	<u>8,645</u>
Total assets	<u>\$36,709,623</u>	<u>\$30,883,478</u>
Liabilities:		
Reserves for claims - Plan I	9,104,000	7,471,000
Health maintenance organization		
premiums payable	2,179,214	1,988,052
Unearned contributions	<u>5,074,922</u>	<u>4,423,044</u>
Total liabilities	<u>\$16,358,136</u>	<u>13,882,096</u>
Net assets available for health benefits	<u>\$20,351,487</u> =====	<u>17,001,382</u> =====

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Changes in Net Assets
Available for Health Benefits

Years ended June 30, 1991 and 1990

	<u>1991</u>	<u>1990</u>
Additions to plan assets:		
Employee contributions	\$46,836,605	\$42,346,948
Employer contributions for:		
Active employees	52,770,231	44,658,201
Retired employees	20,302,422	17,077,717
Interest income	<u>2,099,103</u>	<u>1,515,700</u>
Total additions	<u>122,008,379</u>	<u>105,598,566</u>
Deductions from plan assets:		
Plan I benefit expense	39,633,619	32,640,824
Health maintenance organization		
plan expense	79,024,547	63,104,292
Other expenses	<u>108</u>	<u>18,111</u>
Total deductions	<u>118,658,274</u>	<u>95,763,227</u>
Increase in net assets available for health benefits	3,350,105	9,835,339
Net assets available for health benefits:		
Beginning of year	<u>17,001,382</u>	<u>7,166,043</u>
End of year	<u>\$20,351,487</u> =====	<u>17,001,382</u> =====

HEALTH SERVICE SYSTEM TRUST FUND
As of June 30, 1991

POOLED CASH INVESTMENT REPORT

	<u>CASH BALANCE</u> <u>AS OF MONTH END</u>		<u>POOLED CASH</u> <u>AVG. CURRENT YIELD</u>		<u>INTEREST EARNED</u> <u>TO DATE</u>		
	<u>1989-90</u>	<u>1990-91</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1989-90</u>	<u>1990-91</u>	
						<u>MONTH</u>	<u>YTD</u>
	\$13,365,717	\$26,510,758	8.69%	8.78%	\$96,999.98	\$195,490.06	\$ 195,490.06
UST	14,741,336	23,428,787	8.25	7.83	199,277.21	154,791.70	350,281.76
EMBER	14,949,240	22,459,484	8.91	9.12	310,771.20	171,421.82	521,703.58
DER	16,952,013	20,187,726	9.11	8.60	440,674.39	145,930.79	667,634.37
MBER	16,272.621	23,226,826	8.38	8.36	555,328.87	155,027.56	822,661.93
MBER	17,887.322	27,302,445	8.64	8.13	684,416.93	185,279.03	1,007,940.96
MARY	17,223,064	27,945,031	8.27	8.66	804,243.93	203,532.79	1,211,473.75
UARY	18,533,967	27,461,885	7.99	7.81	927,675.38	180,349.20	1,391,822.95
CH	19,338,835	26,639,890	8.68	8.51	1,068,061.22	189,943.62	1,581,766.57
L	21,611,836	26,256,667	7.55	7.30	1,204,768.52	160,438.18	1,742,204.75
	20,905,518	25,749,624	8.60	8.36	1,356,640.94	180,833.75	1,923,038.50
	23,015,687	27,911,512	8.28	7.69	1,516,035.68	179,201.68	2,102,240.18

VI. MEMBERSHIP DIVISION

A. Responsibilities:

The Membership Division is comprised of eighteen positions and is charged with the following responsibilities:

- . Maintain membership records for all employees and dependents
- . Collect, reconcile and disburse premium contributions
- . Maintain accounting functions
- . Prepare financial reports and provide budgetary services
- . Process and counsel new and existing members
- . Provide mail, reproduction and clerical support services
- . Provide accounts receivable services
- . Provide purchasing services

B. Membership Statistics

The Membership Division accounted for \$122.0 million in revenues in 1990-91 which were collected, reconciled and disbursed to the various benefit plans.

The System had a total membership of 84,180 individuals as of July 1, 1991 including 33,434 active employees, 12,499 retired employees, 37,875 dependents and 372 former employees and dependents continuing coverage under the federal health insurance continuation law known as COBRA.

These membership totals represented a net increase of 931 active employees, 209 retired employees, and 461 dependents and COBRA participants over total membership on June 30, 1990. The Membership Statistical Report as of July, 1991 is incorporated as part of this report and includes demographic reports on the composition of each health plan.

The Division also processed 13,537 health plan enrollments and 11,430 terminations during the fiscal year. Exhibits reflecting the enrollment activity during the year and during the annual open enrollment period are incorporated as part of this report.

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ACTIVE EMPLOYEES	6,944	15,446	5,477	2,819	1,570	36	1,160	33,452
PETIRED EMPLOYEES								
NO MEDICARE	1,412	2,044	195	155	35	4		3,845
PART A	125	54	11	4	2			196
PART B	79	58	3	1				141
MEDICARE	4,352	3,279	302	175	21	9		8,138
SUB TOTALS	5,968	5,435	511	335	58	13		12,320
RESIGNED EMPLOYEES								
NO MEDICARE	4		1					5
PART A	2							2
PART B	7							10
MEDICARE	107	34	4	3				148
SUB TOTALS	120	37	5	3				165
SURVIVING SPOUSE								
NO MEDICARE	199	256	19	23	2	2		501
PART A	5	5						10
PART B	11	7						18
MEDICARE	909	556	30	27	5	2		1,529
SUB TOTALS	1,124	824	49	50	7	4		2,058
COBRA PARTICIPANTS	88	170	41	23	13			335
COMMISSIONERS	8	5	7	1	1			22
ACT DEPENDENTS OF ACTIVE EMPLOYEES	2,536	4,672	1,656	917	413	17		10,211
ADULT DEPENDENTS OF RETIRED EMPLOYEES								
NO MEDICARE	963	1,171	77	63	8	4		2,286
PART A	11	4		1				16
PART B	11	12						23
MEDICARE	1,274	1,088	54	35	2	4		2,457
SUB TOTALS	2,259	2,275	131	99	10	8		4,782
ADULT DEPENDENTS OF RESIGNED EMPLOYEES								
NO MEDICARE	1						1	1
PART A								
PART B	1							1
MEDICARE	6	4	1	1				12
SUB TOTALS	8	4	1	1				14

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ADULT DEPENDENTS OF COBRA	10	10	8	3	3			34
ADULT DEPNs OF COMMISSIONERS	1	2	2	1				6
MINOR DEPNs OF ACTIVE EMPLOYEES	3,899	9,650	3,462	1,849	800	39		19,699
MINOR DEPNs OF RETIRED EMPLOYEES	270	521	48	31	6	1		877
MINOR DEPNs OF RESIGNED EMPLOYEES								
MINOR DEPNs OF SURVIVING SPOUSE	42	90	8	7	3	2		152
MINOR DEPENDENTS OF COBRA	14	18	14	4	2			52
MINOR DEPNs OF COMMISSIONERS	2	4	1					7
HEALTH PLAN TOTALS	23,293	39,163	11,421	6,143	2,886	120	1,160	84,186

MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	3,797	2,193	5,659	11,649	6,444
RETIRED EMPLOYEES					
NO MEDICARE	369	219	479	1,067	
PART A	11	13	9	33	
PART B	7	7	5	19	
MEDICARE	452	575	709	1,736	
SUB TOTALS	839	814	1,202	2,855	
RETIRED EMPLOYEES					
() MEDICARE					
PART A					
PART B					
MEDICARE	3	2	1	6	
SUB TOTALS	3	2	1	6	
SURVIVING SPOUSE					
NO MEDICARE	41	39	61	141	
PART A	1	1	1	3	
PART B	2	1	2	5	
MEDICARE	78	82	102	262	
SUB TOTALS	122	123	166	411	
COBRA PARTICIPANTS	18	18	27	63	
DENTAL PLAN TOTALS	4,779	3,150	7,055	14,984	6,444

CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS

CITY - PLAN KAISER BRIDGEWAY BAY PACIFIC HEALS FOUNDATION EXEMPT TOTAL

ACTIVE EMPLOYEES

7,224 15,240 4,575 2,795 1,091 23 1,007 32,345

RETIRED EMPLOYEES

NO MEDICARE 1,405 2,033 174 152 40 3 3,867
 PART A 133 50 11 4 2 200
 PART B 52 60 3 1 1 146
 MEDICARE 4,234 3,113 259 154 23 7 7,890
 SUB TOTALS 6,014 5,255 447 311 65 10 12,103

RESIGNED EMPLOYEES

NO MEDICARE 4 1 4 5
 PART A 4 4 4 4
 PART B 7 7 1 11
 MEDICARE 125 36 2 6 167
 SUB TOTALS 136 39 3 7 187

SURVIVING SPOUSE

NO MEDICARE 232 254 16 25 2 1 500
 PART A 7 5 4 12
 PART B 12 7 19
 MEDICARE 871 486 25 23 4 2 1,411
 SUB TOTALS 1,092 752 41 48 6 3 1,842

COBRA PARTICIPANTS

103 177 29 35 10 354

COMMISSIONERS

7 3 5 2 1 18

ADULT DEPENDS OF ACTIVE EMPLOYEES

2,519 4,756 1,375 944 436 14 10,044

ADULT DEPENDENTS OF RETIRED EMPLOYEES

NO MEDICARE 998 1,193 68 59 10 3 2,331
 PART A 12 5 1 12
 PART B 8 16 24
 MEDICARE 1,234 1,042 42 29 4 3 2,354
 SUB TOTALS 2,252 2,257 110 89 14 5 4,728

ADULT DEPENDENTS OF RESIGNED EMPLOYEES

NO MEDICARE 1 1
 PART A 1 1
 PART B 0 1
 MEDICARE 8 5 1 1 13
 SUB TOTALS 1 1 1 1 15

CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	RAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ADULT DEPENDENTS OF COBRA	13	11	4	5	3			36
ADULT DEPNs OF COMMISSIONERS	2	2	2	1				7
MINOR DEPNs OF ACTIVE EMPLOYEES	3,950	9,633	2,940	1,903	879	32		19,534
MINOR DEPNs OF RETIRED EMPLOYEES	295	543	31	27	9			905
MINOR DEPNs OF RESIGNED EMPLOYEES	1							1
MINOR DEPNs OF SURVIVING SPOUSE	46	102	5	10				163
MINOR DEPENDENTS OF COBRA	14	21	4	4	4			51
MINOR DEPNs OF COMMISSIONERS	1	4	1					6
HEALTH PLAN TOTALS	23,633	39,001	9,573	6,179	3,108	98	1,007	82,639

HSD167

CITY AND COUNTY OF SAN FRANCISCO
HEALTH SERVICE SYSTEM
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	SAFEGUARD II	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	3,096	1,991	4,874		9,961	6,261
RETIRED EMPLOYEES						
NO MEDICARE						
PART A	260	252	435		947	
PART B	5	13	13		31	
MEDICARE	354	597	578		1,529	
SUB TOTALS	624	870	1,029		2,523	
RESIGNED EMPLOYEES						
NO MEDICARE						
PART A				1	1	
PART B						
MEDICARE	2	4			6	
SUB TOTALS	2	4	1		7	
SURVIVING SPOUSE						
NO MEDICARE	32	37	56		125	
PART A	1	1			2	
PART B	1	1	2		4	
MEDICARE	50	79	79		208	
SUB TOTALS	84	118	137		339	
COBRA PARTICIPANTS	13	16	23		52	
DENTAL PLAN TOTALS	3,819	2,999	6,064		12,882	6,261

CITY AND COUNTY OF SAN FRANCISCO MEMBERSHIP MASTER REPORT - 7/1/89

REAL TIME SERVICE SYSTEM

MEMBERSHIP STATUS	CITY - ADM.	KAISEP	CHILDREN'S	FRENCH	BAY PACIFIC	HEALS	MAXICARE	EXEMPT	TOTAL
ACTIVE EMPLOYEES	7,297	14,363	3,205	1,343	3,462	1,348		989	31,907
RETIRED EMPLOYEES									
NO MEDICARE	1,494	1,917	150	59	165	19			3,834
PART A	1-0	43	9	2	0				205
PART B	79	57	3	1	1				141
MEDICARE	4,293	2,983	204	79	142	15			7,676
SUB TOTALS	6,006	4,965	366	141	314	34			11,826
RESIGNED EMPLOYEES									
NO MEDICARE	4		1						5
PART A	5								5
PART B	7	3							11
MEDICARE	129	40	1	2	7				179
SUB TOTALS	145	43	2	2	8				200
SURVIVING SPOUSE									
NO MEDICARE	216	234	15	6	25				498
PART A	9	1							14
PART B	12	7							19
MEDICARE	833	456	17	11	21	1			1,341
SUB TOTALS	1,072	704	32	17	46	1			1,872
COBRA PARTICIPANTS	115	132	25	10	34	3			324
ADULT DEPNs OF ACTIVE EMPLOYEES	2,505	4,660	987	256	1,244	400			10,052
ADULT DEPENDENTS OF RETIRED EMPLOYEES									
NO MEDICARE	1,021	1,220	57	15	65	6			2,384
PART A	11	9			1				21
PART B	12	16							28
MEDICARE	1,134	975	33	19	33	5			2,249
SUB TOTALS	2,226	2,220	90	34	99	11			4,682
ADULT DEPENDENTS OF RESIGNED EMPLOYEES									
NO MEDICARE	1								1
PART A									
PART B	1								1
MEDICARE	8	5			1				14
SUB TOTALS	10	5			1				16
ADULT DEPENDENTS OF COBRA	14	13	6	3	6	1			43

HSD107

CITY HEALTH AND COMMUNITY SERVICE SYSTEM
MEMBERSHIP MASTER REPORT - 7/1/89
SAN FRANCISCO

MEMBERSHIP STATUS	CITY - ADM.	KAISER	CHILDREN'S	FRENCH	BAY PACIFIC	HEALS	MAXICARE	EXEMPT	TOTAL
MINOR DEPNs OF ACTIVE EMPLOYEES	4,069	10,113	2,140	516	2,632	805			20,297
MINOR DEPNs OF RETIRED EMPLOYEES	330	695	32	15	29	5			1,106
MINOR DEPNs OF RESIGNED EMPLOYEES	3								3
MINOR DEPNs OF SURVIVING SPOUSE	50	120	6	3	9				188
MINOR DEPENDENTS OF COSRA	28	30	8	4	13	2			35
HEALTH PLAN TOTALS	23,892	33,063	6,899	2,346	7,807	2,615		889	82,601

MSD167

C I T Y H E A L T H S E R V I C E S Y S T E M
A N D C O U N T Y O F S A N F R A N C I S C O
MEMBERSHIP MASTER REPORT - 7/1/89

MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	SAFEGUARD II	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	2,646	1,502	3,880	375	8,401	5,996
RETIRED EMPLOYEES						
NO MEDICARE	195	226	288	52	761	
PART A	4	16	10	1	29	
PART B	5	5	2	3	15	
MEDICARE	205	539	390	89	1,293	
SUB TOTALS	459	766	680	145	2,098	
RESIGNED EMPLOYEES						
NO MEDICARE						
PART A		5	1		1	
PART B		5	1		5	
MEDICARE					6	
SUB TOTALS						
SURVIVING SPOUSE						
NO MEDICARE	23	39	60	2	124	
PART A		2			2	
PART B	1	1			2	
MEDICARE	40	65	50	9	154	
SUB TOTALS	64	107	90	11	272	
CORA PARTICIPANTS						
NO MEDICARE	5	11	6	3	25	
DENTAL PLAN TOTALS	3,204	2,407	4,657	534	10,802	5,996

MEMBERSHIP AGE STATISTICS 07/91

EMPLOYEE MEMBERS

	CITY - ADM.		KAISER		BRIDGEWAY		BAY PACIFIC		HEALS		FOUNDATION	
	M	F	M	F	M	F	M	F	M	F	M	F

TOTALS

3,869

3,180

8,835

6,774

2,740

2,787

1,604

1,239

814

774

30

6

PLAN TOTALS

7,049

15,609

5,527

2,843

1,588

36

AVERAGE AGE

46.40

44.68

41.06

42.66

41.17

39.36

MEDIAN AGE

46

45

40

42

40

46

RETIRED AND RESIGNED

TOTALS

3,663

2,440

3,802

1,692

309

220

199

146

35

26

11

2

NO MED OVER 65

103

68

285

135

13

12

3

12

3

2

PLAN TOTALS

6,103

5,494

529

345

61

13

AVERAGE AGE

71.19

68.78

67.09

66.09

62.95

68.00

MEDIAN AGE

71

68

67

66

63

71

- 25 -

ADULT DEPENDENTS-ACTIVE EMPLOYEES

TOTALS

718

1,818

1,242

3,420

568

1,083

272

642

134

280

17

PLAN TOTALS

2,536

4,662

1,651

914

414

17

AVERAGE AGE

45.57

44.77

40.78

41.86

40.17

36.18

MEDIAN AGE

45

44

39

41

39

45

ADULT DEPENDENTS-RETIRED & RESIGNED

TOTALS

223

2,045

166

2,113

14

119

17

84

1

9

8

NO MED OVER 65

4

38

5

71

1

2

1

PLAN TOTALS

2,268

2,279

133

101

10

8

AVERAGE AGE

65.45

64.05

61.65

61.24

57.60

61.88

MEDIAN AGE

66

65

63

62

60

66

0384A

HEALTH SERVICE SYSTEM

CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP AGE STATISTICS 07/91

SURVIVING SPOUSE

	CITY - ADM.		KAISER		BRIDGEWAY		BAY PACIFIC		HEALS		FOUNDATION	
	M	F	M	F	M	F	M	F	M	F	M	F
TOTALS	33	1,092	35	791	2	47	3	47	7	7	4	4
NO MED OVER 65		22	1	34		1		1				
PLAN TOTALS	1,125		826		49		50		7		4	
AVERAGE AGE	73.72		69.88		69.10		66.78		68.14		60.50	
MEDIAN AGE	74		71		70		67		70		74	

MINOR DEPENDENTS

TOTALS	2,134	2,107	5,279	4,982	1,774	1,758	963	926	416	394	21	21
PLAN TOTALS	4,241		10,261		3,532		1,889		810		42	
AVERAGE AGE	12.87		12.95		9.96		10.18		9.67		9.50	
MEDIAN AGE	13		13		9		9		9		13	

NON-MEMBER EXEMPT EMPLOYEES

TOTALS	521	633
PLAN TOTALS	1,154	
AVERAGE AGE	44.17	
MEDIAN AGE	44	

0384A-2

HEALTH SERVICE SYSTEM

HEALTH PLAN ENROLLMENT AND TERMINATION REPORT
FOR FISCAL YEAR 1990-91

	<u>CITY PLAN</u>	<u>KAISER</u>	<u>BRIDGEWAY</u>	<u>BAY PACIFIC</u>	<u>HEALS</u>	<u>FOUNDATION</u>	<u>EXEMPT</u>	<u>ALL PLANS</u>
<u>MEMBERS</u>								
NEW	1,186	2,511	1,711	637	397	20	344	6,806
TERMINATED	1,524	2,106	634	580	528	5	331	5,708
TOTAL	-338	405	1,077	57	-131	15	13	1,098
<u>DEPENDENTS</u>								
NEW	1,256	2,258	1,675	573	305	19		6,086
TERMINATED	1,309	2,581	768	642	420	10		5,730
TOTAL	- 53	- 323	907	-69	-115	9		356
<u>GRAND TOTAL</u>	-391	82	1,984	-12	-246	24	13	1,454

0829A

HEALTH SERVICE SYSTEM

HEALTH PLAN ENROLLMENT AND TERMINATION REPORT FOR FISCAL YEAR 1989-90

<u>MEMBERS</u>	<u>CITY PLAN</u>	<u>KAISER</u>	<u>BRIDGEWAY</u>	<u>FRENCH</u>	<u>BAY PACIFIC</u>	<u>HEALS</u>	<u>FOUNDATION</u>	<u>EXEMPT</u>	<u>ALL PLANS</u>
NEW	1,595	3,443	1,864	7	633	797	37	344	8,720
TERMINATED	1,797	1,777	381	1,227	1,220	395	-	285	7,082
TOTAL	-202	1,666	1,483	-1,220	-587	402	37	59	1,638
<u>DEPENDENTS</u>									
NEW	1,533	2,984	1,747	4	619	550	53		7,490
TERMINATED	1,675	3,108	589	615	1,564	418		--	7,969
TOTAL	-142	-124	1,158	-611	-945	132	53		-479
<u>GRAND TOTAL</u>	-344	1,542	2,641	-1,831	-1,532	534	90	59	1,159

HEALTH SERVICE SYSTEM

ENROLLMENT AND TERMINATION REPORT FOR FISCAL YEAR 1988-89

	<u>CITY PLAN</u>	<u>KATSER</u>	<u>BRIDGEWAY</u>	<u>FRENCH</u>	<u>BAY PACIFIC</u>	<u>HEALS</u>	<u>MAXICARE</u>	<u>EXEMPT</u>	<u>ALL PLANS</u>
<u>MEMBERS</u>									
NEW	1,274	2,286	968	252	892	787	120	230	6,809
TERMINATED	1,649	1,638	376	393	512	173	934	270	5,945
TOTAL	-375	648	592	-141	380	614	-814	-40	864
<u>DEPENDENTS</u>									
NEW	1,255	2,492	1,025	175	1,003	716	96		6,762
TERMINATED	1,967	2,454	485	256	664	199	660		6,685
TOTAL	-712	38	540	-81	339	517	-564		77
<u>GRAND TOTAL</u>	-1,087	686	1,132	-222	719	1,131	-1,378	-40	941

OPEN ENROLLMENT SUMMARY COMPARISON

	<u>1991</u> <u>COMPARISON</u>	<u>1990</u> <u>COMPARISON</u>	<u>1989</u> <u>COMPARISON</u>	<u>1988</u> <u>COMPARISON</u>
CITY PLAN				
Employees	(206)	(169)	(266)	(802)
Dependent	268	(160)	(355)	(880)
New Dependents	365	333	286	247
Dependents Cancelled	<u>(507)</u>	<u>(110)</u>	<u>(120)</u>	<u>(118)</u>
Net Gain/Loss	(80)	214	(455)	(1,553)
KAISER				
Employees	(321)	130	174	(58)
Dependent	173	19	161	682
New Dependents	688	724	631	610
Dependents Cancelled	<u>(663)</u>	<u>(255)</u>	<u>(147)</u>	<u>(106)</u>
Net Gain/Loss	(123)	618	819	528
BRIDGEWAY				
Employees	652	912	418	317
Dependent	631	767	300	207
New Dependents	366	253	183	169
Dependents Cancelled	<u>(267)</u>	<u>(73)</u>	<u>(54)</u>	<u>(20)</u>
Net Gain/Loss	1,382	1,859	847	673
FRENCH HOSPITAL PLAN				
Employees	--		(135)	(192)
Dependent	--		(72)	(43)
New Dependents	--		33	39
Dependents Cancelled	--		<u>(27)</u>	<u>(14)</u>
Net Gain/Loss	--		(201)	(210)
BAY PACIFIC PLAN				
Employees	118	(882)	225	460
Dependent	194	(959)	137	375
New Dependents	155	199	199	214
Dependents Cancelled	<u>(288)</u>	<u>(95)</u>	<u>(41)</u>	<u>(46)</u>
Net Gain/Loss	179	(1,817)	520	1,003
HEALS HEALTH PLAN				
Employees	(205)	67	500	178
Dependent	71	(37)	354	161
New Dependents	86	94	127	55
Dependents Cancelled	<u>(254)</u>	<u>(23)</u>	<u>(11)</u>	<u>(2)</u>
Net Gain/Loss	(302)	101	970	392
FOUNDATION*				
Employees	7	37	(855)	194
Dependent	9	50	--	98
New Dependents	2	3	--	45
Dependents Cancelled	<u>(8)</u>	<u>--</u>	<u>(545)</u>	<u>(8)</u>
Net Gain/Loss	10	90	(1,400)	329
EXEMPT				
	(45)	(95)	(61)	(97)
	<u>1,021</u>	<u>970</u>	<u>1,039</u>	<u>1,065</u>

*Statistics prior to 1990 are for Maxicare Health Plan.

SUMMARY OF CHANGES AS OF 07-03-91

EMPLOYEES FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
T O :										
PLAN 1		155	70		113	54	4	28	424	206~
PLAN 2	173		91		48	60	1	46	419	321-
PLAN 3	292	352			95	158		29	926	652
PLAN 4										
PLAN 5	86	130	85			75		22	398	118
PLAN 6	37	78	17		9			9	150	205-
PLAN 7	8	2			1			1	12	7
PLAN E	34	23	11		14	8			90	45-
TOTAL	630	740	274		280	355	5	135	2419	

DEPENDENTS FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
T O :											
PLAN 1		90	54		92	25	7	365	633	126	80-
PLAN 2	92		37		20	24		688	861	198	123-
PLAN 3	219	191			106	115		366	997	730	1382
PLAN 4											
PLAN 5	45	29	68			52		155	349	61	179
PLAN 6	14	38	17		2			86	157	97-	302-
PLAN 7	6	2			1			2	11	3	10
PLAN E											45-
CANCEL	131	313	91		67	38	1		641		
TOTAL	507	663	267		288	254	8	1662	3649	1021	

SAN FRANCISCO, CA 94102
MEMBERSHIP: (415) 554-1750

DENTAL PLAN SUMMARY OF CHANGES AS OF 07-10-91

EMPLOYEES FROM :

TO :	COLONIAL	SAFEGUARD	DENTICARE	ADD	TOTAL	NET GAIN/LOSS
COLONIAL		128	208	495	831	571
SAFEGUARD	11		55	324 *	390	74-
DENTICARE	96	226		809	1131	591
CANCEL	153	110	277		540	1088-
TOTAL	260	464	540	1628	2892	

* 152 were transfers from Post-tax to Pre-tax Safeguard.

VII. MEDICAL CLAIMS DIVISION

A. Responsibilities:

The Medical Claims Division is comprised of eighteen positions and is responsible for the following:

- . Process all medical claims and maintain records for members of the City Health Plan
- . Calculate and disburse benefit payments to members and providers
- . Respond to all claim benefit inquiries from members and providers
- . Provide supplemental health plan to Medicare for retired members
- . Coordinate third party liability recoveries from third party payors
- . Coordinate workers' compensation lien recoveries
- . Coordinate benefits with other group health insurance carriers.

B. Claim Statistics

The health plan paid out a total of \$38.7 million in benefits to or on behalf of plan members during the 1990-91 fiscal year. The claims experience report of the Plan is incorporated as part of this report.

The Division received over 210,869 claims during the year compared to 200,538 in the previous fiscal year and processed these claims in an average turnaround time of 17.39 days up from 14.51 days in 1989-90.

The Preferred Provider program completed its seventh year and continued to be well received by members. The percentage of physician services provided by preferred providers has climbed from 44% in 1984-85 to 64% of all services in 1990-91 (71% of all non-medicare services and 46% of all medicare services). Inpatient hospital admissions at preferred hospitals has climbed from 47% in 1984-85 to 70% of all admissions in 1990-91, a level that has been maintained since the 1987-88 benefit year.

REPORT BY ACTUARY ON CASH BASIS FOR THE JULY 9, 1991

MEETING OF THE HEALTH SERVICE BOARD

PLAN I

Experience for the period July 1, 1990 through June 30, 1991

	<u>CONTRIBUTIONS</u>	<u>CLAIMS</u>	<u>LOSS RATIO</u>	
			<u>FOR</u> <u>MONTH</u>	<u>CUMULATIVE</u>
(1) <u>MEDICAL BENEFITS</u>				
Active Employees	\$13,390,973	\$13,787,845	102%	103%
Retired Employees (NM)	5,396,434	5,543,865	75	103
Retired Employees (M)	5,376,139	3,135,764	60	58
Adult Dependents (NM)	5,477,154	6,196,866	101	113
Adult Dependents (M)	786,256	577,791	70	73
Minor Dependents	<u>2,620,429*</u>	<u>3,168,408</u>	<u>105</u>	<u>121</u>
TOTAL	\$33,047,385	\$32,410,539	90%	98%
(2) <u>PRESCRIPTION</u> <u>DRUG BENEFIT</u>				
Active Employees	\$ 1,832,707	\$ 2,014,678	120%	110%
Retired Employees (NM)	792,643	771,100	101	97
Retired Employees (M)	<u>2,422,958</u>	<u>2,599,525</u>	<u>112</u>	<u>107</u>
TOTAL	\$ 5,048,308	\$ 5,385,303	113%	107%
(3) <u>VISION CARE</u> <u>BENEFIT</u>				
Active Employees	\$ 503,095	\$ 492,975	109%	98%
Retired Employees (NM)	129,553	120,870	99	93
Retired Employees (M)	<u>314,849</u>	<u>291,740</u>	<u>102</u>	<u>93</u>
TOTAL	\$ 947,497	\$ 905,585	105%	96%
(4) <u>ALL COVERAGES</u>				
Active Employees	\$15,726,775	\$16,295,498	105%	104%
Retired Employees (NM)	6,318,630	6,435,835	79	102
Retired Employees (M)	8,113,946	6,027,029	77	74
Adult Dependents (NM)	5,477,154	6,196,866	101	113
Adult Dependents (M)	786,256	577,791	70	73
Minor Dependents	<u>2,620,429*</u>	<u>3,168,408</u>	<u>105</u>	<u>121</u>
TOTAL	\$39,043,190	\$38,701,427	93%	99%

* Includes \$702,000 of interest subsidy.

CITY HEALTH PLAN I
EXPENDITURES BY MODALITY OF SERVICE

	1990-91	%	1989-90	%	1988-89	%
Ambulatory Surgery Facility	1,783,652		1,323,328		1,020,826	
Hospital Emergency Room	1,800,475		712,228		830,534	
Inpatient Hospital	10,976,924		8,825,182		9,386,514	
Inpatient Psychiatric	204,697		217,540		153,527	
Inpatient Chemical Detox	71,427		97,523		137,131	
Skilled Nursing	242,390					
Hospitalization	14,079,565	36%	11,175,800	35%	11,528,532	37%
Medical Visits	3,670,923	10	3,111,056	10	3,347,050	11
Surgery	3,821,471		3,595,446		3,455,050	
Anesthesiology	767,596		674,063		671,807	
Surgical	4,589,067	12	4,269,510	13	4,126,857	13
Acupuncture	120,253		105,802		108,412	
Lab/X-ray	4,477,837		3,636,166		3,487,787	
Psychiatric	724,754		622,462		621,703	
Med. Supplies & Equipment	360,087		240,261		175,018	
X-Ray Therapy	487,986		371,532		272,172	
Dental	64,789		64,329		87,429	
Nursing Services	327,416		146,700		186,572	
Physical Therapy	672,810		586,140		582,078	
Chiropractic	388,747		310,874		331,911	
Ambulance	137,430		130,480		141,232	
All other services	2,308,875	26	1,562,131		1,222,300	
Other	10,070,984		7,776,877	25	7,216,614	23
Prescription Drugs	5,385,303	14	4,428,507	14	4,091,526	13
Vision Care	905,585	2	859,944	3	838,948	3
Total Expenditures	38,701,427	100%	31,621,694	100%	31,149,527	100%
AVERAGE LIVES COVERED	23,611		23,748		23,892	

C. ACTUARIAL STATUS

Rael & Letson, as Consulting Actuary to the Health Service System, assists the Board in maintaining a sound actuarial position for the System. As part of their duties, they help establish the contribution rates for Plan I Medical benefits, Prescription Drug coverage and the Vision benefit. In addition, they examine the renewal rates of the alternative plans, review the financial experience with the Board monthly and assist on all matters of an actuarial nature.

Their status report for the 1990-91 fiscal year is divided into three sections. In the first section, they report the claims experience and utilization of the benefits under Plan I. The second section presents an analysis of the reserve position of the System as of June 30, 1991. The third section of the report presents their comments, recommendations and certification as to the actuarial position of the Health Service System.

SECTION I

MEDICAL BENEFIT UTILIZATION - PLAN I

In reviewing the benefit utilization information, Rael & Letson sets forth the claim breakdown by benefit category and the claim breakdown by employee and dependent categories for the last three fiscal years.

	<u>COST OF MEDICAL CLAIMS BY BENEFIT CATEGORY</u>		
	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>
Physician Visits	12.8%	11.8%	11.3%
Hospital	44.0	42.5	43.4
Surgical	15.7	16.2	14.2
Other	<u>27.5</u>	<u>29.5</u>	<u>31.1</u>
	100.0%	100.0%	100.0%

As in previous years, the hospital expenses continue to account for close to half the cost of the medical benefit program. Physician visits and surgical services represent 25% and the balance of approximately 31% is Other benefits of which approximately half is attributable to diagnostic X-ray and laboratory services. Additional benefits most utilized in the "Other" category are physiatriac consultations, physical therapy, radiation and chemotherapy, chiropractic, medical supplies and equipment, nursing services, ambulance and acupuncture.

COST OF ALL CLAIMS BY BENEFIT CATEGORY

	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>
Physician Visits	10.8%	9.9%	9.5%
Hospital	37.0	35.4	36.4
Surgical	13.2	13.5	11.9
Other	23.2	24.5	26.0
Prescription Drug	13.1	14.0	13.9
Vision Care	<u>2.7</u>	<u>2.7</u>	<u>2.3</u>
	100.0%	100.0%	100.0%

Over a three year period, expenditures for physician visits as a percentage of all expenditures have decreased close to a full percentage point and one half. A significant drop in the percentage of expenditures was also experienced by the surgery category in the most recent year compared to the prior one. Overall costs and utilization are continuing to increase at a fast pace for x-ray and laboratory services. Other categories have experienced nominal changes when comparing the three years above.

COST OF MEDICAL CLAIMS BY EMPLOYEE
AND DEPENDENT CATEGORY

	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>
Active Employee	42.7%	45.0%	42.5%
Retired & Resigned (NM)	15.0	16.3	17.1
Retired & Resigned (M)	9.6	8.3	9.7
Adult Dependents (NM)	19.9	19.4	19.1
Adult Dependents (M)	1.9	1.4	1.8
Minor Dependents	<u>10.9</u>	<u>9.6</u>	<u>9.8</u>
	100.0%	100.0%	100.0%

As would be expected, the Active Employee represents by far the largest claim cost component. Other categories have remained relatively constant from prior year's percentages to that of the current year though the Retired (NM) group has increased about 2%.

HIGH CLAIM ACTIVITY

During the year, statistical data is provided summarizing high medical claim activity by individual. Below is a comparison for the last four fiscal years. Since the data is recorded on a date incurred basis, the current years totals may be somewhat higher for claims still pending payment subsequent to the issuance of this report. Final figures will be adjusted in future reports.

	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>
Five Highest Claims	\$ 242,819	\$ 152,059	\$ 323,069	\$ 235,547
	170,219	132,563	222,172	234,625
	105,013	125,363	204,909	208,902
	103,942	114,492	179,070	205,781
	<u>99,249</u>	<u>112,074</u>	<u>172,290</u>	<u>195,704</u>
Total	\$ 721,242	\$ 636,551	\$1,010,510	\$1,080,559
Average	144,248	127,310	202,102	216,112
Dollars Paid for ten most costly	\$1,192,236	\$1,148,403	\$1,770,922	\$1,936,611
Average	119,224	114,840	177,092	193,661
Dollars Paid for fifty most costly	\$3,492,084	\$3,505,175	\$4,283,686	\$5,632,444
Average	69,842	70,104	85,674	112,649
Number of claims over \$50,000	37	40	55	68
Number of claims over \$100,000	4	8	16	21
Number of claims over \$200,000	1	0	3	4

CHANGES IN COMPOSITE CLAIM COSTS

As part of the analysis, the composite claim cost increase for all of the employee and dependent benefit categories is determined. The claim cost increases vary considerably between employees and dependents. The composite cost enables the tracking of inflationary increases for Plan I members and dependents as a whole.

PHYSICIAN VISITS

The following are the percentage changes in claim costs for physician visits (From Exhibit I on Page).

	<u>CLAIM COST INCREASE</u>	
	<u>1990/91</u>	<u>OVER</u>
	<u>1989/90</u>	<u>1988/89</u>
Active Employees	17%	12%
Retired & Resigned (NM)	26	30
Retired & Resigned (M)	9	1
Adult Dependents (NM)	20	13
Adult Dependents (M)	26	11
Minor Dependents	23	24
Composite	19	13

Claims costs increased an overall 19% this past year. The percentage increase in claim costs are actually less over a two year period because of the favorable results in Plan Year 1989/90.

Accounting for half of the 19% increase is utilization. The average number of claims paid in 1990/91 was .376 claims per individual per month as compared to .344 claims per month in the prior year (a 9.3% increase).

HOSPITAL BENEFIT EXPENSE

Following are the percentage changes for hospital expenses as outlined in Exhibit I (page).

	<u>CLAIM COST INCREASE</u> <u>1990/91 OVER</u>	
	<u>1989/90</u>	<u>1988/89</u>
Active Employees	14%	23%
Retired & Resigned (NM)	36	64
Retired & Resigned (M)	65	23
Adult Dependents (NM)	29	23
Adult Dependents (M)	53	(6)
Minor Dependents	38	16
Composite	26	26

The composite claim cost for 1990/91 over 1989/90 increased 26% as compared to a ½% decrease for 1989/90 over 1988/89. The Medicare groups' experience appears especially unfavorable due to the expanded Medicare coverage for six months in the 1989/90 Plan Year under the since repealed Catastrophic Coverage Act which reduced Plan I liability.

Though the average length of stay remained constant for PPO admissions, the average length of stay increased from 5.77 days to 6.65 days for Bay Area non-PPO admissions (a 15.3% increase). Approximately 74% of all non-Medicare Bay Area inpatient days were at PPO hospitals in Plan Year 1990/91. This is the same percentage as the previous year.

Increases in cost can be kept to a minimum by a combination of manageable increases in the per diem rates of the Preferred Provider (PPO) hospitals, continued high usage of the PPO hospital network, utilization review which minimizes unnecessary days in the hospital, and case management which allows for professionally managed alternative care in a less costly but medically appropriate environment for the patient. As we continually advise, special attention should be paid to stop-loss provisions in our contracting hospital agreements. Unless the stop-loss thresholds are being adjusted upward every year, the value of the negotiated per diems will be eroded as more claims exceed the stop loss threshold and revert to a percentage of charges discount.

SURGICAL

Following are the surgical claim cost changes which occurred during the year and are included in Exhibit I (page).

	<u>CLAIM COST INCREASE</u> <u>1990/91 OVER</u>	
	<u>1989/90</u>	<u>1988/89</u>
Active Employees	6%	15%
Retired & Resigned (NM)	38	33
Retired & Resigned (M)	10	17
Adult Dependents (NM)	6	7
Adult Dependents (M)	48	25
Minor Dependents	(32)	4
Composite	8	14

The actual increase for the past year, that is 1990/91 over 1989/90, was 8%. This reflects a consistent percentage of surgeries performed by PPO physicians and reasonable increases in the conversion factors and fee schedules. The claim cost for the minor dependent category returned to the level of two years ago. Favorable results (a minus 32%) within this group are due to the unusually high costs in the 1989/90 Plan year.

Future cost increases will continue to depend to a great extent on negotiations with PPO providers along with general inflation and utilization patterns of participants.

OTHER MEDICAL SERVICES

Following are the percentage claim cost changes as outlined in Exhibit I (page).

	<u>CLAIM COST INCREASE</u> <u>1990/91 OVER</u>	
	<u>1989/90</u>	<u>1988/89</u>
Active Employees	33%	51%
Retired & Resigned (NM)	27	48
Retired & Resigned (M)	52	29
Adult Dependents (NM)	20	43
Adult Dependents (M)	54	14
Minor Dependents	37	50
Composite	30	44

This category experienced a bigger percentage increase than any other this past year. Claims paid per individual per month increased from .57 to .70 (a 22.8% increase). The average claim cost increase from \$29.54 to \$38.54 (a 30.5% increase) is therefore attributed more to utilization than inflation.

As mentioned in previous reports, claim costs under X-Ray and Lab have escalated rapidly because of new and more costly equipment and techniques as well as higher utilization through "defensive medicine" practiced by the medical profession as a result of malpractice awards. In addition, doctors doing lab work in the office or at a lab at which they own a financial interest could thus have an impact on the type and number of tests done. These factors are largely responsible in our judgement, for the large increases in cost in this category.

Following are the claim costs in the last two fiscal years for benefits most utilized in the "other" category:

COMPARISON OF CLAIM COSTS BY MOST UTILIZED BENEFITS

	<u>Number of Claims Paid</u>			<u>Amount of Claims Paid</u>		
	<u>1989/90</u>	<u>1990/91</u>	<u>% Inc.</u>	<u>1989/90</u>	<u>1990/91</u>	<u>% Inc.</u>
X-ray & Lab	79,098	99,510	25.8%	\$3,636,166	\$4,476,530	23.1%
Psychiatric Consultations	16,669	23,367	40.2	622,462	916,809	47.3
Physical Therapy	15,072	17,744	17.7	586,140	672,812	14.8
Radiation and Chemotherapy	3,745	4,384	17.1	371,634	491,334	32.2
Chiropractic	10,706	12,428	16.1	310,874	388,746	25.0

Utilization (number of services) is mainly responsible for total cost increases. There are currently a maximum number of annual visits allowed and a lifetime maximum of \$10,000 under psychiatric consultations and an annual maximum dollar amount under the chiropractic benefit. Future consideration might be given to a lifetime maximum for the chiropractic benefit and a maximum number of physical therapy visits per disability (or an annual maximum of covered expense).

PREScription DRUG EXPENSES

Drug expenditures were more than expected. (See Exhibit II on Page). Most of this unfavorable experience is attributable to the increase in ingredient costs, with an increase in utilization responsible for the remainder. The average number of prescriptions filled per participant increased 7% during the year.

The overall loss ratio from the fiscal year ending June 30, 1991 was 107% (expenditures being 7% more than anticipated).

VISION BENEFIT EXPENSES

Vision benefit expenses were less than expected (See Exhibit II on Page). Since Plan I uses Vision Service Plan as administrator and negotiator of fees for exams and materials, the favorable experience (costs being 4% less than expected) was mainly due to lower utilization. Loss ratios for all groups were less than 100%.

Future increases are largely dependent upon changes in utilization patterns and the agreements negotiated by VSP with its panel of providers.

CLAIM COSTS FOR ALL BENEFITS

Claim costs for most categories increased at a rapid rate during the 1990/91 fiscal year. Fortunately, overall contributions coupled with allocated interest earnings were enough to offset the total claims paid by the Health Service System. When incorporating the interest subsidy approved by the Board, the year end loss ratio for all benefits was 99% (claim expenditures were 1% less than receipts).

Health care cost increases, in general, remain intolerable. Though inflation and utilization might be the most visible components, there are others that impact costs to a great degree:

- 1) As Medicare and Medicaid (Medi-Cal) streamline their budgets, costs are shifted to the private sector.
- 2) Technological advances not only add to supply cost increases but also to costs associated with an aging population.
- 3) Behavioral changes have led to increased costs related to alcohol and drug dependency, psychiatric care and AIDS related claims.
- 4) Plans pick up added costs when participant deductibles and co-pays are not increased.

SECTION II

RESERVES HELD BY THE HEALTH SERVICE SYSTEM

Since October 1981, monthly data has been generated on medical claims paid, by the month in which they were incurred. This data allows for the determination of the actual reserve requirement for incurred but unpaid claims and projects that requirement for future years. Following are the reserves required based on actual experience for the five most recent fiscal years.

<u>DATE</u>	<u>ACTUAL PAYOUT OF MEDICAL CLAIMS INCURRED PRIOR TO THAT DATE AND PAID AFTER</u>
July 1, 1986	\$ 4,687,959
July 1, 1987	5,057,103
July 1, 1988	5,935,344
July 1, 1989	5,134,452
July 1, 1990	7,088,752

In last year's report, there was a projected reserve requirement for medical benefits of \$6,589,000 which was approximately \$500,000 less than the actual requirement of \$7,088,752. The calculation of the expected run-out for the 12 months after June 30, 1991 (\$8,055,000), was based on the actual run-out during the first two months of the 1991/92 fiscal year projected forward.

The balance sheet on the following page reflects additional reserves needed for prescription drug and vision benefit expenses for claims incurred prior to July 1, 1991 but to be paid after that date.

CITY AND COUNTY OF SAN FRANCISCO
HEALTH SERVICE SYSTEM
BALANCE SHEET AS OF JUNE 30, 1991

Assets

Total	\$ 36,709,623
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Liabilities

Reserves Required:

Plan I Medical Benefits	\$ 8,055,000	
Prescription Drug	898,000	
Vision Care	<u>151,000</u>	
	\$ 9,104,000	
Premiums payable	2,179,214	
Unearned Contributions	<u>5,074,922</u>	
Total Liabilities		\$ 16,358,136
Contingency Reserve		<u>20,351,487</u>
TOTAL		\$ 36,709,623

The asset figures were obtained from financial statements prepared by Peat, Marwick and Mitchell. The estimated contingency reserve as of 6/30/91 is \$20,351,487 which represents an increase of \$3,350,105 during the 1990-91 Plan Year.

This increase was comprised mainly of favorable experience under Plan I, investment income and additional revenue generated due to City contributions being greater than certain HMO premiums charged.

SECTION III

COMMENTS AND RECOMMENDATIONS

The PPO provided under Plan I has now been in place for over seven years. Continued usage of PPO providers can help control medical inflationary costs to some extent. Though there are incentives built into the benefit structure to encourage Plan I members to utilize the PPO, further enhancements are possible.

There has been a reduction in the number of participants enrolled in Plan I. Plan I's share of the overall membership has also been declining. It is felt that this is mainly attributable to the out of pocket expense borne by the member each month, since the City's contribution is insufficient to support the cost of benefits. It is perceived that, as this process continues, Plan I will be left with a more costly population as the younger, less costly employees leave Plan I for financial reasons.

It is again recommended that consideration be given to re-evaluating the process by which the out of pocket expense required by participants is determined. The benefits are reduced enough under the fee-for-service Plan and the requirement of an out-of-pocket contribution undermines the stability of the Plan I membership.

Most other Plans require no self-contribution for the employee. If there is a self-contribution, the rate is most often the same for all employees regardless of the plan chosen. Different contribution rates lead to selection problems which it is believed are currently affecting Plan I.

SECTION III

COMMENTS AND RECOMMENDATIONS

(Continued)

It is strongly recommended that an independent audit of medical claims be performed to verify accuracy. This practice is routinely done by Plans of this size on an annual basis. A claims audit will determine the error rate of adjusted claims, the projected dollar value for all claims incorrectly adjusted as well as recommend to the administrator ways to improve on the claims paying process.

The contingency reserve as of June 30, 1991 was approximately \$20,350,000. A minimum reserve target, based on current claim levels, would be \$6,450,000, with a reserve of \$19,350,000 being optimal. These figures represent two and six months worth of claims paid for the year ending June 30, 1991. A contingency reserve is necessary to pay for unanticipated adverse experience in future years.

Based on the current contribution rates, the Health Service System is expected to remain fiscally sound. The Plan is fully funded for its incurred but unpaid claims and, as of June 30, 1991, maintained a contingency reserve of approximately \$20,350,000.

EXHIBIT I
MONTHLY MEDICAL CLAIM COSTS BY BENEFIT

		1988-89	1989-90	1990-91	Percentage Increase	
		<u>Fiscal Yr.</u>	<u>Fiscal Yr.</u>	<u>Fiscal Yr.</u>	<u>1990-91 Over</u>	<u>1989-90</u>
					<u>1989-90</u>	<u>1988-89</u>
Active Employee	Phy. Vis.	\$ 15.33	\$ 14.69	\$ 17.21	17%	12%
	Hospital	51.48	55.40	63.39	14	23
	Surgical	17.88	19.25	20.48	6	15
	Other	<u>37.62</u>	<u>42.70</u>	<u>56.79</u>	33	51
	Total	\$ 122.31	\$ 132.04	\$ 157.87	20%	29%
Retired & Resigned						
(No Medicare)	Phy. Vis.	\$ 19.10	\$ 19.63	\$ 24.76	26%	30%
	Hospital	78.93	95.73	129.80	36	64
	Surgical	29.08	28.02	38.77	38	33
	Other	<u>44.08</u>	<u>51.46</u>	<u>65.13</u>	27	48
	Total	\$ 171.19	\$ 194.84	\$ 258.46	33%	51%
Retired & Resigned						
(Medicare)	Phy. Vis.	\$ 4.03	\$ 3.74	\$ 4.08	9%	1%
	Hospital	16.69	12.44	20.55	65	23
	Surgical	8.30	8.83	9.69	10	17
	Other	<u>10.48</u>	<u>8.88</u>	<u>13.54</u>	52	29
	Total	\$ 39.50	\$ 33.89	\$ 47.86	41%	21%
Adult Dependents						
(No Medicare)	Phy. Vis.	\$ 11.85	\$ 11.15	\$ 13.34	20%	13%
	Hospital	46.44	44.09	56.94	29	23
	Surgical	16.96	17.15	18.18	6	7
	Other	<u>25.07</u>	<u>29.78</u>	<u>35.86</u>	20	43
	Total	\$ 100.32	\$ 102.17	\$ 124.32	22%	24%
Adult Dependents						
(Medicare)	Phy. Vis.	\$ 4.08	\$ 3.60	\$ 4.53	26%	11%
	Hospital	13.25	8.11	12.43	53	(6)
	Surgical	7.83	6.63	9.81	48	25
	Other	<u>9.98</u>	<u>7.35</u>	<u>11.34</u>	54	14
	Total	\$ 35.14	\$ 25.69	\$ 38.11	48%	8%
Minor Dependents						
	Phy. Vis.	\$ 23.34	\$ 23.45	\$ 28.86	23%	24%
	Hospital	54.27	45.75	62.93	38	16
	Surgical	12.19	18.48	12.65	(32)	4
	Other	<u>26.28</u>	<u>28.68</u>	<u>39.34</u>	37	50
	Total	\$ 116.08	\$ 116.36	\$ 143.78	24%	24%
Composite						
	Phy. Vis.	\$ 12.45	\$ 11.85	\$ 14.05	19%	13%
	Hospital	42.87	42.65	53.87	26	26
	Surgical	15.35	16.26	17.56	8	14
	Other	<u>26.84</u>	<u>29.54</u>	<u>38.54</u>	30	44
	Total	\$ 97.51	\$ 100.30	\$ 124.02	24%	27%

EXHIBIT II
MONTHLY PRESCRIPTION DRUG AND VISION CARE COSTS
(INCLUDES ADMINISTRATION COSTS)

Category (Dep. Included)	1988-89 <u>Fiscal Yr.</u>	1989-90 <u>Fiscal Yr.</u>	1990-91 <u>Fiscal Yr.</u>	<u>Percentage Increase</u> <u>1990-91 Over</u>	
				<u>1989-90</u>	<u>1988-89</u>
Active Employee					
Drug	\$17.35	\$18.09	\$23.07	28%	33%
Vision	5.20	5.26	5.64	7	8
Retired & Resigned (NM)					
Drug	\$30.37	\$30.87	\$35.95	16%	18%
Vision	5.24	5.86	5.63	(4)	7
Retired & Resigned (M)					
Drug	\$28.32	\$32.94	\$39.68	20%	40%
Vision	3.81	4.01	4.45	11	17
Composite					
Drug	\$22.95	\$25.13	\$30.90	23%	35%
Vision	4.70	4.88	5.20	7	11

D. Cost Containment Programs

The Health Service Board continued to pursue the maintenance and implementation of effective health care cost containment programs during this fiscal year.

The pre-certification and concurrent review of all hospital admissions which was begun in January, 1983 has resulted in a general decrease in hospital days and admissions since inception, however, the 1990-91 fiscal year saw an increase in admissions for the first time since 1986-87 and in days since 1987-88.

The admissions per 1,000 members increased from 86 per 1,000 as of June 30, 1990 to 89 per 1,000 as of June 30, 1991. Hospital days per 1,000 increased from 449 per 1,000 as of June 30, 1990 to 535 per 1,000 as of June 30, 1991. The average length of stay in the hospital increased from 5.23 in 1989-90 to 5.99 days in 1990-91, with contract hospital stays at 5.24 days and non-contract stays at 7.73 days. Total hospital days increased from 7,701 in 1989-90 to 9,072 in 1990-91.

Overall inpatient hospital costs increased only 10.6% and there was an overall decrease in cost of 6.1% per day of hospitalization. This was comprised of a 6.3% increase for contract hospitals and a 23.7% decrease for non-contract hospitals.

Overall retail hospital charges moderated from \$1,824 per day in 1989-90 to \$1,787 per day in 1990-91. Preferred provider hospitals were paid an average of \$1,052 per day and non-contract hospitals \$1,246 per day for services rendered to members while the overall average paid was \$1,128 compared to \$1,201 in 1989-90.

An inpatient hospitalization summary from 1981-82 through 1990-91 is incorporated as part of this report.

Other cost containment tools resulting in recovery of benefit expenditures in 1990-91 were third party liability recoveries at \$37,680, workers compensation lien recoveries at \$32,369, and hospital bill audit recoveries of \$9,601.

In addition, \$962,605 was avoided in benefit expenditures because of coordination of benefits (COB) with commercial insurance carriers and another \$492,619 was avoided because of fee charges in excess of usual and reasonable as determined by the Plan during this fiscal year.

CITY HEALTH PLAN I
FISCAL YEAR COMPARISON
NON-MEDICAID INFANT HOSPITALIZATION

<u>PERIOD</u>	<u>ADM</u>	<u>ADM PER 1,000</u>	<u>DAYS</u>	<u>DAYS PER 1,000</u>	<u>LOS</u>	<u>AVERAGE CHARGE PER DAY</u>	<u>AVERAGE PAYMENT PER DAY</u>	<u>BILLED CHARGES</u>	<u>PAID CHARGES</u>
07/01/81 - 06/30/82	2,074	104	11,969	598	5.82	665	554	7,959,385	6,630,826
07/01/82 - 06/30/83	2,037	104	10,712	549	5.26	805	668	8,626,356	7,160,688
07/01/83 - 06/30/84	1,808	95	9,695	510	5.36	951	773	9,216,109	7,490,911
07/01/84 - 06/30/85	1,745	92	9,445	497	5.41	969	748	9,150,079	7,067,923
PPO (47%)	819		4,247		5.18	1,011	673	4,294,672	2,858,750
STANDARD (53%)	926		5,198		5.61	934	810	4,855,407	4,209,173
07/01/85 - 06/30/86	1,861	91	10,287	502	5.52	1,092	776	11,231,453	7,984,907
PPO (58%)	1,079		6,005		5.56	1,057	641	6,345,394	3,846,286
STANDARD (42%)	782		4,282		5.48	1,141	967	4,886,059	4,138,621
07/01/86 - 06/30/87	1,928	95	9,828	484	5.09	1,232	847	12,104,616	8,323,672
PPO (62%)	1,186		5,861		4.94	1,214	695	7,115,155	4,073,808
STANDARD (38%)	742		3,967		5.35	1,258	1,071	4,989,461	4,249,864
07/01/87 - 06/30/88	1,921	94	10,224	499	5.32	1,291	834	13,196,622	8,526,421
PPO (69%)	1,334		6,758		5.06	1,309	729	8,846,172	4,928,170
STANDARD (31%)	587		3,466		5.90	1,255	1,038	4,350,449	3,598,250
07/01/88 - 06/30/89	1,579	87	8,572	475	5.42	1,560	956	13,371,495	8,191,000
PPO (70%)	1,107		5,954		5.37	1,582	826	9,417,112	4,917,542
STANDARD (30%)	472		2,618		5.55	1,510	1,250	3,954,382	3,273,488
07/01/89 - 06/30/90	1,471	86	7,701	449	5.23	1,824	1,201	14,046,003	9,251,266
PPO (70%)	1,032		5,168		5.00	1,789	990	9,244,294	5,114,675
STANDARD (30%)	439		2,533		5.77	1,896	1,633	4,801,709	4,136,591
07/01/90 - 06/30/91	1,514	89	9,072	535	5.99	1,787	1,128	16,215,353	10,230,244
PPO (70%)	1,056		5,533		5.24	1,992	1,052	11,019,994	5,821,252
STANDARD (30%)	458		3,539		7.73	1,468	1,246	5,195,359	4,408,992

NOTE: Admissions and days include newborns and skilled nursing.



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Health Service System Annual Report

City and County of
San Francisco



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Fiscal Year
July 1, 1991 - June 30, 1992

HEALTH SERVICE SYSTEM

ANNUAL REPORT

FISCAL YEAR JULY 1, 1991 - JUNE 30, 1992

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I. HISTORY OF THE HEALTH SERVICE SYSTEM

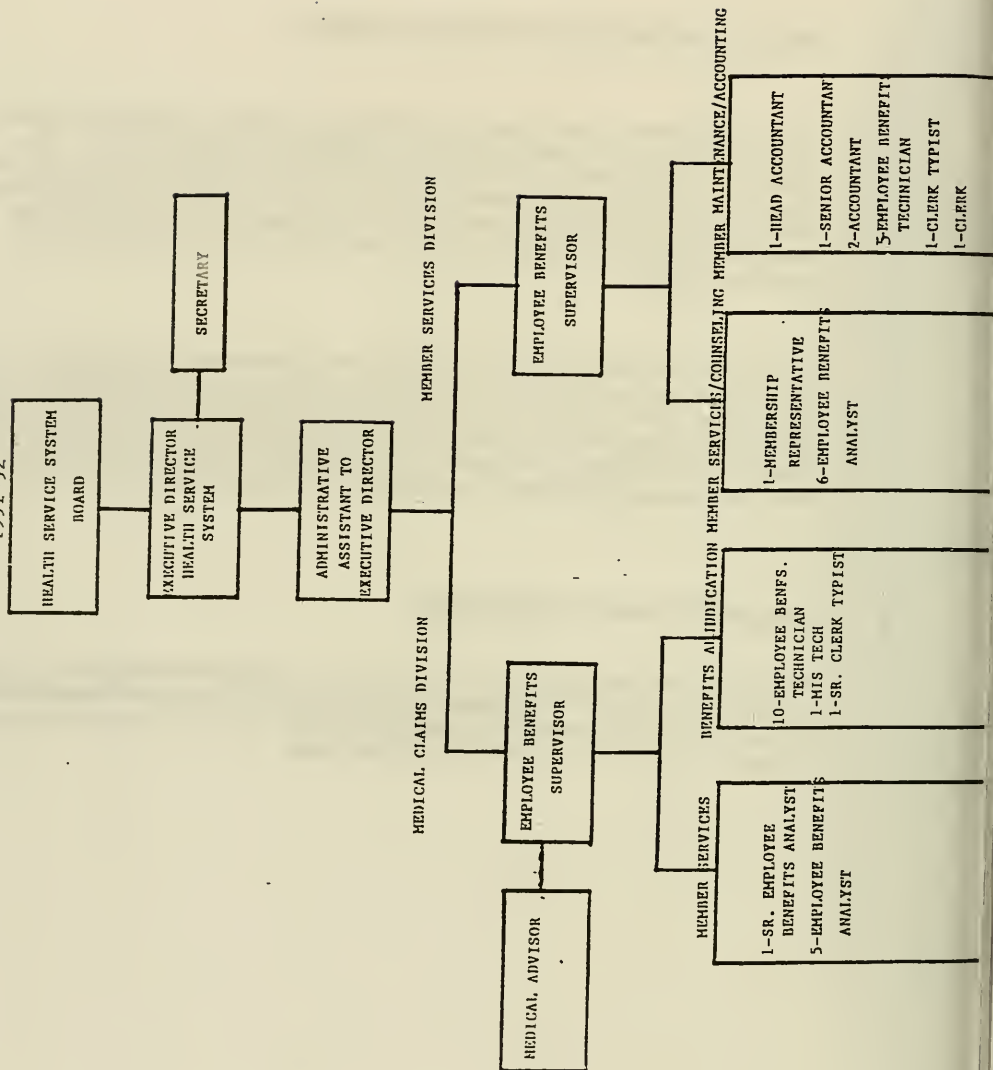
The Health Service System was established by Charter Amendment in March of 1937 and has been conducting business officially since October, 1938. The Health Service System was the culmination of several years of effort on the part of employees of the City and of the Board of Education to secure a workable low cost method of group health protection for themselves and their dependents. The Health Service System became a department of the City and County of San Francisco in 1961.

The System was unique when it was established because it provided for a self-funded medical plan to provide medical protection to 10,293 employees and 5,577 dependents. Today, it is one of the largest county or municipal plans in the United States handling its medical program on a self-funded and self-administered basis with 33,266 active employees, 14,100 retired employees and 43,250 surviving spouses, dependents and COBRA participants as of June 30, 1992.

II. ORGANIZATIONAL COMPOSITION

The Health Service System is administered by the Health Service Board through its Executive Director. The System is organizationally divided into three divisions: Administration, Membership and Medical Claims. The department had a total of 42 permanent positions in the 1991-92 fiscal year.

HEALTH SERVICE SYSTEM
TABLE OF ORGANIZATION
1991-92



III. HEALTH SERVICE SYSTEM
COMPARISON OF EXPENDITURES
FISCAL YEARS 1991-92 AND 1990-91

	1991 - 1992				1990 - 1991			
	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL
001 Permanent Salaries-Misc.	158,446	530,719	685,800	1,374,965	153,684	470,752	657,283	1,281,719
010 Overtime	689	336	143	1,168	620	692	90	1,402
060 Mandatory Fringe Benefits	38,338	131,477	170,787	340,602	18,749	120,839	169,726	329,314
106 DE/MP Equipment Maint.	2,125	17,322	24,684	44,131	3,675	21,847	31,131	56,653
109 Other Contractual Services	45,792	9,113	260,377	315,342	6,602	3,332	247,183	257,117
120 Other Services	11,842	12,305	4,154	28,301	7,335	8,428	42,112	57,875
130 Materials & Supplies	1,860	17,434	6,804	26,098	2,355	12,262	5,350	19,967
146 Rental of Property	106,212	-0-	-0-	106,212	95,977	-0-	-0-	95,977
220 Equipment Purchase	9,300	-0-	-0-	9,300	4,338	1,647	-0-	5,985
303 Real Estate	-0-	-0-	-0-	-0-	88	-0-	-0-	88
313 Civil Service Mgmt. Training	-0-	-0-	-0-	-0-	447	-0-	-0-	447
329 Registrar of Voters	-0-	-0-	-0-	-0-	10,461	-0-	-0-	10,461
330 Light, Heat & Power	-0-	-0-	-0-	-0-	1,432	-0-	-0-	1,432
340 Controller's - EDP	-0-	98,057	78,800	176,857	-0-	87,012	59,460	146,472
350 Printing & Reproduction	3,636	1,776	3,381	8,793	3,682	5,002	2,297	10,981
351 City Mail Services	15,378	-0-	-0-	15,378	13,529	-0-	-0-	13,529
365 CMO-Ins. & Risk Reduc.	750	-0-	-0-	750	682	-0-	-0-	682
370 Workmen's Comp.	46,467	-0-	-0-	46,467	20,752	-0-	-0-	20,752
339 Controller-Audit	-0-	-0-	-0-	-0-	19,000	-0-	-0-	19,000
420 Legal Service-City Atty.	79,653	-0-	-0-	79,653	168,246	-0-	-0-	168,246
	<u>520,488</u>	<u>818,599</u>	<u>1,234,930</u>	<u>2,574,017</u>	<u>551,672</u>	<u>731,298</u>	<u>1,214,542</u>	<u>2,497,512</u>

IV. HEALTH SERVICE BOARD

Charter Section 3.680 provides for the establishment of a Health Service Board and Section 3.681 prescribes the power and duties of the Board. The Health Service Board is charged with the fiduciary responsibility of maintaining the financial integrity of the Health Service System Trust Fund and of adopting a health plan or plans for the rendering of medical care to members of the System with the ultimate objective of providing the most comprehensive medical coverage possible at the most reasonable cost to all its members.

The Board is composed of seven members; three members elected from the membership at large, two ex-officio members from City government, and two members appointed by the Mayor. The mayoral appointees represent expertise from the insurance profession and from the medical profession. Members of the Board during the 1991-92 fiscal year were:

Employee Members: Claire Zvanski, President
Municipal Railway (Term expires May 15, 1993)

James M. Deignan, Vice-President
Police Department (Term expires May 15, 1994)

Harry Paretchan, Commissioner
Fire Department (Term expires May 15, 1996)

Ex-Officio Members: Jim Gonzalez, Chair
Finance Committee, Board of Supervisors
(Term began January, 1991)

George E. Krueger, Commissioner
Representing City Attorney
(Term began March 22, 1984)

Appointed members: Sidney E. Foster, M.D., Commissioner
(Term expires May 15, 1992)

Jackson A. Loos, Commissioner
(Term expires May 15, 1995)

The Board's major functions and responsibilities consist of many comprehensive activities:

1. Determine policies relative to the management and administration of the Health Service System.
2. Oversee all operations to be certain they are in conformance with the provisions of the trust (as provided by the Charter), the plan of benefits, the laws pertaining to health and welfare trusts, and the decisions of the trustees as recorded in the minutes of Board meetings.
3. Determine and approve a budget for administration of the Health Service System.
4. Establish the level of benefits the fund can afford, which involves a number of interrelated problems such as:
 - a. Estimating the fund's probable income from all sources.
 - b. Estimating the fund's expenses.
 - c. Determining the desired level of the various reserves and the desired speed of reserve accumulation.
 - d. Determining eligibility rules.
 - e. Estimating the amount of money available for benefits.
 - f. Estimating the number of employees who will be eligible.
 - g. Calculating the amount of money available for benefits for each employee and his or her dependents.
 - h. Selecting the most desirable combination of benefits that can be provided.
 - i. Fixing rates of contributions for members.
5. Approval of contractual obligations and transfer and appropriation of funds.
6. Attend Board and Committee meetings and see to it that minutes are accurate and complete.
7. Determine whether or not the fund will self-insure or utilize the services of an insurance company.
8. Establish the fund's investment policy.
9. Establish employee delinquency procedures.
10. Hear grievances from employees.
11. Report to the employees and to the employer concerning the operation of the fund.
12. Selection of advisors. Advisors may include among others: a consulting actuary, attorney, auditor, benefits consultant and investment advisor.
13. Review of the performance of the administrator and all advisors to the trustees.

V. **ADMINISTRATION DIVISION**

A. Responsibilities:

The Administration Division is responsible for the following functions:

- . Administer health, dental, disability insurance, cafeteria plan and dependent care assistance plan for all eligible City, School District and Community College District employees, active and retired, and their dependents
- . Plan, organize, actuate and control management policies
- . Implement Health Service Board policies and programs
- . Conduct Board and Committee meetings
- . Prepare and maintain Board calendars, minutes, records, and reports
- . Determine personnel and budget requirements
- . Provide liaison with City departments and other agencies
- . Develop plans and programs
- . Conduct Health Service surveys and investigations
- . Manage Health Service Trust Fund
- . Provide personnel and payroll services

B. Rules and Regulation Changes:

The Health Service Board, through its committee structure, reviewed the Rules and Regulations of the System during 1991-92 to ensure that they were in conformance with current practice, Charter changes and State and Federal Laws.

The domestic partner rule was implemented during the 1990-91 fiscal year expanding membership eligibility to include the domestic partners of members effective July 1, 1991:

- . A member's legal spouse or domestic partner. A spouse from whom the member has been granted a final dissolution of marriage, or from whom he has been legally separated shall not be eligible. A "domestic partner" of a member is defined as an individual who satisfies the following conditions and intends to continue to do so indefinitely:
 - 1) shares the same principal residence as the member;
 - 2) has reached the age of 18;
 - 3) neither the individual nor the member is married or has another domestic partner;
 - 4) under California law would not be prevented from marrying the member on account of relationship to the member;

The Health Service System Board, during the December, 1991 meeting, amended the rules pertaining to appeals and grievances. Members having unresolved grievances may submit the facts at meeting to the Health Service System, Attention: Appeals, within 90 days of the event causing the grievance.

Members who have grievance with a specific benefit plan must first try and resolve their grievance through member assistance process of the plan. Grievances will not be considered until this action is taken.

The Health Service System shall consider each appeal and grievance and shall notify the member of its decision.

Any member dissatisfied with the Health Service System's decision shall retain the right to appeal to the Health Service Board. Such appeal is to be made within ten (10) business days of notification. An extension of time may be granted upon showing good cause.

The appeal to the Health Service System's Board is a written appeal specifically stating the member's basis for disagreement with the decision of the Health Service System.

The Health Service System Board shall act to grant or deny all appeals so submitted.

The action of the Health Service System Board is final.

C. Benefit Plans:

The 1991-92 fiscal year saw a continued expansion in employee benefits with the inclusion of a Dependent Care Assistance Program offered under the Internal Revenue Service Section 125 Flexible Benefit Plan.

The Section 125 Plan allows an employee to enter into a salary reduction agreement with the employer thereby allowing the employee to pay any benefit plan premiums which they may be obligated to pay on a pre-tax rather than on a post-tax basis as is customary.

This program provided a tremendous tax savings to the thousands of employees who are participating in the Plan. It is a significant financial benefit considering that the City pays no portion of dependent's medical premiums, nor does it provide a contribution toward dental coverage.

The choice of six health plans were offered to the membership during the 1991-92 fiscal year:

The City Health Plan; Kaiser Permanente Health Plan; Bridgeway Health Plan; Aetna Health Plans of Northern California (formerly Bay Pacific); Qual-Med California (formerly Heals); and Foundation Health Plan. These six plans provided a balanced selection of health plan options.

The City Health Plan is a fee for service indemnity health plan providing a free choice of covered medical providers. In addition, a Preferred Provider Program was included under the plan for the eighth year.

A Preferred Provider Program is one in which the Health Service System enters into agreements with selected hospitals, physicians and other health professionals to provide medical services to employees and dependents on a discounted fee basis. Members of the health plan are then given economic incentives to utilize selected physicians, hospitals and other health care professionals when requiring medical care.

The program is characterized by the use of a continuum of managed care services including inpatient hospital utilization, selected second surgical opinion review and case management.

The System currently has agreements with seventeen hospitals and over 1,500 physicians and other health care professionals in the Bay Area. An agreement also continues with a hospital and its physicians in Tuolumne County to cover employees who work for the Public Utilities Commission at Hetch Hetchy.

The System also offered five alternative health maintenance organizations for employees to select.

A health maintenance organization provides a comprehensive set of plan benefits including hospital, surgical and medical care for a prepaid amount of cost. There is usually no cost or only small copayments required when seeking medical care from plan providers.

The Kaiser Health Plan, is a staff model health maintenance organization (HMO) which is hospital based. The Bridgeway Plan for Health provides services both as a hospital based staff HMO, as well as an IPA health maintenance organization. The Aetna Health Plans of Northern California (formerly Bay Pacific) and Qual-Med California arrange for the provision of health care through individual practice associations (IPA).

The Foundation Health Plan was added effective July 1, 1990 to provide active and retired employees residing in Tuolumne County and the surrounding counties access to a health maintenance organization option.

The Kaiser Health Plan has been offered to City employees since 1949; Bridgeway Health Plan since 1978; the Bay Pacific Plan since 1981, and the Heals Health Plan has been offered since 1986.

The three dental plans added to the benefit program effective December 1, 1988, the Colonial, DentiCare and Safeguard Dental Plans, continued to be provided during 1991-92.

The Colonial Dental Plan is underwritten by Colonial Life & Accident Insurance Company and is an indemnity fee for service dental plan. Employees have a free choice of dentist and are indemnified for services rendered based on a percentage reimbursement schedule.

The DentiCare and Safeguard Dental Plans are prepaid capitated programs. These plans are distinguished from the indemnity plan by their lower premium schedule and by the fact that there are nominal or no copayments required for services provided. The patient must, however, select a participating dentist and receive all dental services from that provider with the exception of specialty service referrals.

This type of plan is characterized by payment to the participating dentist of a set monthly fee or capitation per patient in exchange for the dentist providing all necessary services to each covered patient.

The short term disability plan offered is underwritten by Colonial Life & Accident Insurance Company. It provides disability benefits for up to one year after accident or sickness. An extended protection rider of up to five years was added and offered to employees effective July 1, 1991.

The accident plan provides lump sum benefits for specific injuries/services such as fractures, dislocations, cuts and burns, as well as hospital confinement and death and dismemberment benefits. The accident benefits are paid beginning with the first day of accidental injury.

Sickness disability benefits are payable on the 15th day of disability. If the sickness is severe enough to require hospitalization, the benefits begin on the 1st day of disability.

D. City Fiscal Contribution:

Effective July 1, 1991, the City and County of San Francisco, School District and Community College District contributed \$163.27 per month for each eligible active employee into the Health Service Trust Fund. This amount represented an increase of \$21.03 per month or 21.0% above the employer's contribution for the previous fiscal year and represented 100% of the average being contributed by the ten (10) most populous counties in the State of California as determined by survey conducted pursuant to Charter Section 8.423. The employer contribution is based on the employee only contribution of other counties and does not include any consideration of what another county might contribute toward dependent's health premiums.

The City, School District and Community College District also contribute toward the cost of retired employees health coverage. The Charter requires that retired employees not pay more out of pocket each month than an active employee, and that the City contribute the funds necessary to defray the difference in cost to provide the same health coverage to retired employees as is provided to active employees. The amount that the employer must contribute will therefore fluctuate because of the different costs for each plan.

The Charter also provides that retired persons shall have their medical contributions reduced by the amount they must pay Medicare. Hence, a retired person in Medicare will have his Health Service medical contributions reduced by the Medicare contribution for that year. The cost of Medicare coverage during the 1991-92 fiscal year was \$29.90 per month.

The Health Service Board adopted a rule in March 1975, later amended several times which provides that:

All members and dependents who attain age 65 and who qualify for eligibility in the Part A (HOSPITAL) portion of Medicare on a non-contributory basis must enroll to remain a member of the Health Service System.

Retired members and their dependents who qualify for Part A on a non-contributory basis must enroll in the Part B (Medical) portion of Medicare to remain a member of the Health Service System.

All retired members and their dependents who qualify for early Social Security, and thereby become eligible for Medicare Part A and B portions, must enroll to remain a member of the Health Service System.

Active employees and their dependents over the age of 65 must enroll in the Part B (MEDICAL) portion of Medicare upon retirement if eligible for Part A on a non-contributory basis.

This rule provision has saved the City and County millions of dollars in additional health insurance costs for retired employees over the years it has been in effect. It will continue to save many more dollars in future years even with the Federal Government's efforts to cut and shift costs of the Medicare program from the government to Medicare beneficiaries and their former employers.

A cost reduction to the employer of approximately \$20.5 million was generated in the 1991-92 fiscal year alone because of Medicare membership. The establishment of Medicare as the primary source of financial responsibility allows all health plans to provide their services to retired employees, and the City at a lower rate. The number of retired employees and dependents over 65 years without Medicare coverage continues to decline each year as the pre-1975 retirees leave the System.

E. Financial Status

The Health Service System ended the 1991-92 fiscal year. The Health Service System's financial condition at the end of fiscal year 91-92 was stable but net assets declined reversing a three year trend of growth.*

Increased expenditures of \$4.1 million for the City Health Plan and \$18.7 million for HMO, dental and disability was realized. A \$15.2 million increase in total revenues over the previous fiscal year was offset by nearly a \$22.8 million increase in total expenditures compared to the previous fiscal year. The net assets of the System available for health benefits at close of business on June 30, 1993 were \$16.1 million which represented a decrease of about \$4.2 million over the net assets available on June 30, 1991.

The revenues for the fiscal year amounted to \$137.2 million of which 62.4% or \$85.6 million were contributed by the City, School District and Community College District and 37.6% or \$51,557,315 were contributed by employees. In addition, \$2.1 million was collected in interest earnings on the reserves and assets of the System.

The expenditures of the System included approximately \$43.7 million in benefits under the City Health Plan and \$97.7 million in premium payments to benefit plan contractors.

The Statements of Net Assets Available for Health Benefits, the Statements of Changes in Net Assets, and the Investment Report as of close of business June 30, 1992 follow and are incorporated as part of this report.

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Net Assets
Available for Health Benefits

June 30, 1992 and 1991

	<u>1992</u>	<u>1991</u>
Assets:		
Equity in treasurer's cash	\$36,615,602	31,399,840
Contributions receivable from		
City and County	1,907,708	2,926,113
Employees	1,644,086	1,733,327
Interest receivable	535,055	639,738
Accounts receivable	<u>1,371</u>	<u>10,605</u>
Total assets	\$ <u>40,703,822</u>	\$ <u>36,709,623</u>
Liabilities:		
Reserves for claims - Plan I	10,410,000	9,104,000
Due to City and County	1,618,693	-
Health maintenance organization, dental		
and disability premiums		
payable	3,300,506	2,179,214
Unearned contributions	<u>9,243,775</u>	<u>5,074,922</u>
Total liabilities	\$ <u>24,572,974</u>	<u>16,358,136</u>
Net assets available for health benefits	\$16,130,848 =====	20,351,487 =====

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Changes in Net Assets
Available for Health Benefits

Years ended June 30, 1992 and 1991

	<u>1992</u>	<u>1991</u>
Additions to plan assets attributed to:		
Employee contributions	\$51,557,315	\$46,836,623
Employer contributions for:		
Active employees	61,296,179	52,770,231
Retired employees	22,244,381	20,302,422
Interest income	<u>2,112,595</u>	<u>2,099,103</u>
Total additions	<u>137,210,470</u>	<u>122,008,379</u>
Deductions from plan assets attributed to:		
Plan I benefit expense	43,748,844	39,633,619
Health maintenance organization, dental and disability premium expense	97,670,212	79,024,547
Other expenses	<u>12,053</u>	<u>108</u>
Total deductions	<u>141,431,109</u>	<u>118,658,274</u>
Increase (decrease) in net assets available for health benefits	(4,220,639)	3,350,105
Net assets available for health benefits:		
Beginning of year	<u>20,351,487</u>	<u>17,001,382</u>
End of year	<u>\$16,130,848</u> =====	<u>20,351,487</u> =====

HEALTH SERVICE SYSTEM TRUST FUND

As of June 30, 1992

POOLED CASH INVESTMENT REPORT

	<u>CASH BALANCE</u> <u>AS OF MONTH END</u>		<u>POOLED CASH</u> <u>AVG. CURRENT YIELD</u>		<u>INTEREST EARNED</u> <u>TO DATE</u>		
	<u>1990-91</u>	<u>1991-92</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1990-91</u>	<u>1991-92</u>	
						<u>MONTH</u>	<u>YTD</u>
JULY	\$26,510,758	\$30,295,986	8.78%	7.62%	\$195,490.06	\$194,270.20	\$ 194,270.2
AUGUST	23,428,787	33,880,926	7.83	8.63	350,281.76	243,737.69	438,007.8
SEPTEMBER	22,459,484	24,467,564	9.12	9.21	521,703.58	189,193.37	627,201.2
OCTOBER	20,187,726	26,601,444	8.60	8.83	667,634.37	196,838.16	824,039.4
NOVEMBER	23,226.826	25,201,322	8.36	7.64	822,661.93	160,537.95	984,577.3
DECEMBER	27,302.445	32,531,637	8.13	8.16	1,007,940.96	220,916.93	1,205,494.3
JANUARY	27,945,031	28,060,290	8.66	7.20	1,211,473.75	169,424.07	1,374,918.3
FEBRUARY	27,461,885	26,091,830	7.81	6.64	1,391,822.95	146,378.44	1,521,296.8
MARCH	26,639,890	26,706,761	8.51	6.40	1,581,766.57	143,152.61	1,664,449.4
APRIL	26,256,667	23,718,813	7.30	6.32	1,742,204.75	125,384.64	1,789,834.0
MAY	25,749,624	24,885,848	8.36	7.55	1,923,038.50	157,666.31	1,947,500.3
JUNE	27,911,512	29,587,604	7.69	6.67	2,102,240.18	165,094.92	2,112,595.2

VI. MEMBERSHIP DIVISION

A. Responsibilities:

The Membership Division had a complemental twenty positions in 1991-92 and is charged with the following responsibilities:

- . Maintain membership records for all employees and dependents
- . Collect, reconcile and disburse premium contributions
- . Maintain accounting functions
- . Prepare financial reports and provide budgetary services
- . Process and counsel new and existing members
- . Provide mail, reproduction and clerical support services
- . Provide accounts receivable services
- . Provide purchasing services

B. Membership Statistics

The Membership Division accounted for \$137.2 million in revenues in 1991-92 which were collected, reconciled and disbursed to the various benefit plans.

The System had a total membership of 90,616 individuals as of July 1, 1992 including 33,266 active employees, 14,100 retired employees, 42,888 dependents and 362 former employees and dependents continuing coverage under the federal health insurance continuation law known as COBRA.

These membership totals represented a net decrease of 208 active employees, a net increase of 1,615 retired employees, and an increase of 5,023 dependents on June 30, 1992. The Membership Statistical Report as of August, 1992 is incorporated as part of this report and includes demographic reports on the composition of each health plan.

The Division also processed 7,574 health plan enrollments and 6,985 terminations during the fiscal year. Exhibits reflecting the enrollment activity during the year and during the annual open enrollment period are incorporated as part of this report.

CITY AND HEALTH SERVICE SYSTEM
OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/31/92

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ACTIVE EMPLOYEES	6,119	14,490	5,866	2,937	1,802	47	1,985	33,246
RETIRED EMPLOYEES								
NO MEDICARE	1,697	2,741	371	236	76	5		5,126
PART A	125	77	14	10	4			230
PART B	74	60	3	1				139
MEDICARE	4,415	3,446	357	198	23	13		8,452
SUB TOTALS	6,311	6,324	745	445	103	18		13,946
RESIGNED EMPLOYEES								
NO MEDICARE	3		1	1				5
PART A	2							2
PART B	7	2						9
MEDICARE	97	33	4	4				138
SUB TOTALS	109	35	5	5				154
SURVIVING SPOUSE								
NO MEDICARE	195	266	23	22	4	3		513
PART A	6	5						11
PART B	12	7						19
MEDICARE	924	592	32	33	4	2		1,587
SUB TOTALS	1,137	870	55	55	8	5		2,130
COBRA PARTICIPANTS	99	127	30	26	11			293
COMMISSIONERS	8	5	4	2	1			20
ADULT DEPS OF ACTIVE EMPLOYEES	2,267	4,571	1,948	1,062	578	20		11,859
ADULT DEPENDENTS OF RETIRED EMPLOYEES								
NO MEDICARE	1,054	1,410	142	98	19	5		2,749
PART A	13	5		1				19
PART B	9	11						20
MEDICARE	1,286	1,139	66	46	3	5		2,545
SUB TOTALS	2,362	2,565	208	145	22	10		5,333
ADULT DEPENDENTS OF RESIGNED EMPLOYEES								
NO MEDICARE								
PART A	1							1
PART B	4							4
MEDICARE								

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C I T Y H E A L T H S E R V I C E S Y S T E M
A N D C O U N T Y O F S A N F R A N C I S C O
MEMBERSHIP MASTER REPORT - 07/31/92

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ADULT DEPENDENTS OF COBRA	10	8	3	3	2			26
ADULT DEPNs OF COMMISSIONERS	2	2	1	1				6
MINOR DEPNs OF ACTIVE EMPLOYEES	3,502	9,633	3,953	2,116	1,175	49		22,225
MINOR DEPNs OF RETIRED EMPLOYEES	339	704	68	50	8	1		1,172
MINOR DEPNs OF RESIGNED EMPLOYEES								
MINOR DEPNs OF SURVIVING SPOUSE	33	97	4	6	3	2		145
MINOR DEPENDENTS OF COBRA	13	12	8	4	6			43
MINOR DEPNs OF COMMISSIONERS	2	4						6
HEALTH PLAN TOTALS	22,318	39,451	12,899	6,859	3,719	152	1,985	90,616

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CITY AND HEALTH SERVICE SYSTEM
COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/92

MEMBERSHIP STATUS	SAFESUM-AD	DENTICARE	DELTA	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	1,100	3,370	13,606	13,945	6,811
RETIRED EMPLOYEES					
NO MEDICARE	317	625	637	1,579	
PART A	17	3	14	34	
PART B	7	7	3	24	
MEDICARE	579	713	631	1,923	
SUB TOTALS	926	1,354	1,340	3,594	
RESIGNED EMPLOYEES					
NO MEDICARE					
PART A					
PART B					
MEDICARE	2	1	2	5	
SUB TOTALS	2	1	2	5	
SURVIVING SPOUSE					
NO MEDICARE	5	65	55	105	
PART A	1	1	1	3	
PART B	1	2	1	4	
MEDICARE	34	114	113	311	
SUB TOTALS	131	180	170	481	
COBRA PARTICIPANTS	15	35	35	85	
COMMISSIONERS					
		3	13	15	
ADULT DEPENDS OF ACTIVE EMPLOYEES	464	1,745	6,920	9,132	
ADULT DEPENDENTS OF RETIRED EMPLOYEES					
NO MEDICARE	140	413	334	595	
PART A	1	1	2	5	
PART B		3	2	5	
MEDICARE	130	243	175	533	
SUB TOTALS	271	659	531	1,437	
ADULT DEPENDENTS OF RESIGNED EMPLOYEES					
NO MEDICARE					
PART A					
PART B					
MEDICARE					
SUB TOTALS					

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CITY

AND

HEALTH

SERVICE

SYSTEM

COUNTY OF SAN FRANCISCO

MEMBERSHIP MASTER REPORT - 07/01/92

MEMBERSHIP STATUS	SAFEGUARD	DENTICARE	DELTA	TOTAL	COLONIAL DISABILITY
ADULT DEPENDENTS OF COSRA	2	3	5	10	
ADULT DEPNs OF COMMISSIONERS		3	0	3	
MINOR DEPNs OF ACTIVE EMPLOYEES	1,025	3,515	12,604	16,804	
MINOR DEPNs OF RETIRED EMPLOYEES	71	1,211	124	405	
MINOR DEPNs OF RESIGNED EMPLOYEES					
MINOR DEPNs OF SURVIVING SPOUSE	11	41	17	69	
MINOR DEPENDENTS OF COSRA		3	0	3	
MINOR DEPNs OF COMMISSIONERS		2	0	2	
DEYAL PLAN TOTALS	4,054	11,514	14,645	50,513	

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CITY AND HEALTH SERVICE SYSTEM
COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/10/91

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ACTIVE EMPLOYEES	6,944	15,446	5,477	2,819	1,570	36	1,160	33,452
RETIREES								
NO MEDICARE	1,412	2,044	195	155	35	4		3,845
PART A	125	54	11	4	2			196
PART B	79	58	3	1				141
MEDICARE	4,352	3,219	302	175	21	9		8,138
SUB TOTALS	5,968	5,435	511	335	58	13		12,320
RESIGNED EMPLOYEES								
NO MEDICARE	4		1					5
PART A	2							2
PART B	7							10
MEDICARE	107	34	4	3				148
SUB TOTALS	120	37	5	3				165
SURVIVING SPOUSE								
NO MEDICARE	199	256	19	23	2	2		501
PART A	5	5						10
PART B	11	7						18
MEDICARE	909	556	30	27	5	2		1,529
SUB TOTALS	1,124	824	49	50	7	4		2,058
COBRA PARTICIPANTS	88	170	41	23	13			335
COMMISSIONERS	8	5	7	1	1			22
ADULT DEPENDENTS OF ACTIVE EMPLOYEES	2,536	4,672	1,656	917	413	17		10,211
ADULT DEPENDENTS OF RETIRED EMPLOYEES								
NO MEDICARE	963	1,171	77	63	8	4		2,286
PART A	11	4		1				16
PART B	11	12						23
MEDICARE	1,274	1,088	54	35	2	4		2,457
SUB TOTALS	2,259	2,275	131	99	10	8		4,782
ADULT DEPENDENTS OF RESIGNED EMPLOYEES								
NO MEDICARE	1							1
PART A								

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CITY AND COUNTY OF SAN FRANCISCO
HEALTH SERVICE SYSTEM
MEMBERSHIP MASTER REPORT - 07/10/91

MEMBERSHIP STATUS

	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ADULT DEPENDENTS OF COBRA	10	10	8	3	3			34
ADULT DEPNS OF COMMISSIONERS	1	2	2	1				6
MINOR DEPNS OF ACTIVE EMPLOYEES	3,899	9,650	3,462	1,849	800	39		19,699
MINOR DEPNS OF RETIRED EMPLOYEES	270	521	48	31	6	1		877
MINOR DEPNS OF RESIGNED EMPLOYEES								
MINOR DEPNS OF SURVIVING SPOUSE	42	90	8	7	3	2		152
MINOR DEPENDENTS OF COBRA	14	18	14	4	2			52
MINOR DEPNS OF COMMISSIONERS	2	4	1					7
HEALTH PLAN TOTALS	23,293	39,163	11,421	6,143	2,886	120	1,160	84,186

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CITY HEALTH SERVICE SYSTEM
COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/10/91

MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	3,797	2,193	5,659	11,649	6,444
RETIRED EMPLOYEES					
NO MEDICARE	369	219	479	1,067	
PART A	11	13	9	33	
PART B	7	7	5	19	
MEDICARE	452	575	709	1,736	
SUB TOTALS	839	814	1,202	2,855	
RETIRED EMPLOYEES					
() MEDICARE					
PART A					
PART B					
MEDICARE	3	2	1	6	
SUB TOTALS	3	2	1	6	
SURVIVING SPOUSE					
NO MEDICARE	41	39	61	141	
PART A	1	1	1	3	
PART B	2	1	2	5	
MEDICARE	78	82	102	262	
SUB TOTALS	122	123	166	411	
COBRA PARTICIPANTS	18	18	27	63	
DENTAL PLAN TOTALS	4,779	3,150	7,055	14,984	6,444

CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT	TOTAL
ACTIVE EMPLOYEES	7,224	15,240	4,575	2,795	1,691	23	1,007	32,545
RETIRED EMPLOYEES								
NO MEDICARE	1,405	2,033	174	152	40	3		3,867
PART A	133	50	11	4	2			200
PART B	52	60	1	1				146
MEDICARE	4,234	239	354	154	23	7		7,890
SUB TOTALS	6,014	5,255	447	311	65	10		12,103
RESIGNED EMPLOYEES								
NO MEDICARE	4	1						5
PART A	4							4
PART B	7							11
MEDICARE	125	30	2	1	6			167
SUB TOTALS	136	39	3	7				187
SURVIVING SPOUSE								
NO MEDICARE	202	254	16	25	2	1		500
PART A	7	5						12
PART B	12	7						19
MEDICARE	871	486	25	23	4	2		1,411
SUB TOTALS	1,092	752	41	48	6	3		1,842
COBRA PARTICIPANTS	103	177	29	35	10			354
COMMISSIONERS	7	3	5	2	1			18
ADULT DEPHS OF ACTIVE EMPLOYEES	2,519	4,756	1,375	944	436	14		10,044
ADULT DEPENDENTS OF RETIRED EMPLOYEES								
NO MEDICARE	928	1,193	68	59	10	3		2,331
PART A	12	5		1				17
PART B	8	16						24
MEDICARE	1,234	1,042	42	29	4	3		2,354
SUB TOTALS	2,252	2,257	110	89	14	5		4,728
ADULT DEPENDENTS OF RESIGNED EMPLOYEES								
NO MEDICARE	1							1
PART A	1							1
PART B	0							13
MEDICARE	0							15
SUB TOTALS	0							

CITY		AND		COUNTY OF		SAN FRANCISCO		MEMBERSHIP MASTER REPORT - 07/01/90		TOTAL	
MEMBERSHIP STATUS	CITY - PLAN	KAISER	BRIDGEWAY	BAY PACIFIC	HEALS	FOUNDATION	EXEMPT.				
ADULT DEPENDENTS OF COBRA	13	11	4	5	3						36
ADULT DEPNS OF COMMISSIONERS	2	2	2	1							7
MINOR DEPNS OF ACTIVE EMPLOYEES	3,950	9,633	2,940	1,900	879	32					19,534
MINOR DEPNS OF RETIRED EMPLOYEES	295	543	31	27	9						905
MINOR DEPNS OF RESIGNED EMPLOYEES	1										1
MINOR DEPNS OF SURVIVING SPOUSE	46	102	5	10							163
MINOR DEPENDENTS OF COBRA	14	21	4	4	4						51
MINOR DEPNS OF COMMISSIONERS	1	4	1								6
HEALTH PLAN TOTALS	23,633	39,001	9,573	6,179	3,108	88	1,007				82,539

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CITY HEALTH SERVICE SYSTEM
AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/90

MEMBERSHIP STATUS	COLONIAL	SAFEGUARD I	DENTICARE	SAFEGUARD II	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	3,096	1,991	4,872		9,961	6,261
RETIRED EMPLOYEES						
NO MEDICARE	260	252	435		947	
PART A	5	13	13		31	
PART B	5	8	3		16	
MEDICARE	354	597	578		1,529	
SUB TOTALS	624	870	1,029		2,523	
RESIGNED EMPLOYEES						
NO MEDICARE						
PART A						
PART B						
MEDICARE	2	4	1		1	
SUB TOTALS	2	4	1		7	
SURVIVING SPOUSE						
NO MEDICARE						
PART A	32	37	56		125	
PART B	1	1	2		4	
MEDICARE	50	79	79		208	
SUB TOTALS	84	118	137		339	
COBRA PARTICIPANTS	13	16	23		52	
DENTAL PLAN TOTALS	3,819	2,999	6,064		12,882	6,281

HEALTH SERVICE SYSTEM

MEMBERSHIP AGE STATISTICS 08/92

EMPLOYEE MEMBERS

	CITY - ADM.		KAISER		BRIDGEWAY		A E T N A		QUAL-MED		FOUNDATION	
	M	F	M	F	M	F	M	F	M	F	M	F
TOTALS	3,297	2,779	7,931	6,055	2,982	2,897	1,714	1,275	941	910	39	7
PLAN TOTALS	6,076		13,986		5,829		4,189		1,851		46	
AVERAGE AGE	46.08		44.69		41.38		30.39		41.09		39.50	
MEDIAN AGE	46		45		41		42		40		47	
RETIRED AND RESIGNED												
TOTALS	3,795	2,639	4,352	2,038	459	310	262	190	66	45	14	4
NO MED OVER 65	109	76	299	156	24	15	7	11	7	5		
PLAN TOTALS	6,434		6,390		769		461		111		18	
AVERAGE AGE	70.87		67.90		65.70		64.71		61.84		69.22	
MEDIAN AGE	70		68		66		64		62		70	

ADULT DEPENDENTS-ACTIVE EMPLOYEES

TOTALS	629	1,525	1,199	3,100	604	1,198	307	711	201	349	21	
PLAN TOTALS	2,154		4,299		1,802		1,018		550		21	
AVERAGE AGE	45.53		44.38		41.04		41.93		40.09		34.76	
MEDIAN AGE	45		44		40		41		39		45	

ADULT DEPENDENTS-RETIRED & RESIGNED

TOTALS	248	2,062	216	2,321	32	171	29	116	1	17	1	10
NO MED OVER 65	6	31	10	71		4	2	3		2		
PLAN TOTALS	2,310		2,537		203		145		18		11	
AVERAGE AGE	65.32		63.37		60.85		60.97		55.61		63.73	
MEDIAN AGE	66		64		61		62		55		63	

HEALTH SERVICE SYSTEM
CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP AGE STATISTICS 08/92

SURVIVING SPOUSE

	CITY - ADM.		KAISER		BRIDGEWAY		AETNA		QUAL-MED		FOUNDATION	
	N	F	M	F	M	F	M	F	M	F	M	F
TOTALS	32	1,111	38	842	2	56	3	53		9		5
NO MED OVER 65		22	3	32		1		1				
PLAN TOTALS		1,143		880		58		56		9		5
AVERAGE AGE		74.01		70.48		67.53		67.09		63.56		59.40
MEDIAN AGE		74		72		68		68		62		74

MINOR DEPENDENTS

TOTALS	1,862	1,844	5,156	4,880	1,976	1,874	1,079	1,050	591	573	28	29
PLAN TOTALS		3,706		10,036		3,850		2,127		1,164		57
AVERAGE AGE		12.94		13.04		10.24		10.52		9.36		10.07
MEDIAN AGE		13		13		9		10		8		13

NON-MEMBER EXEMPT EMPLOYEES

TOTALS		678	872
PLAN TOTALS		1,550	
AVERAGE AGE		44.65	
MEDIAN AGE		44	

HEALTH SERVICE SYSTEM
HEALTH PLAN ENROLLMENT AND TERMINATION REPORT
FOR FISCAL YEAR 1991-92

MEMBERS	CITY PLAN	KAISER	BRIDGEWAY	AETNA	QUAL-MED	FOUNDATION	EXEMPT	ALL PLANS
NEW	644	1,950	735	379	269	12	299	4,288
TERMINATED	744	1,646	494	205	178	4	322	3,083
TOTAL	-130	304	241	114	-91	8	-23	605
<u>DEPENDENTS</u>								
NEW	485	1,532	669	353	215	20	12	3,286
TERMINATED	883	1,912	622	281	176	11	17	3,902
TOTAL	-398	-380	47	72	39	9	-5	-616
GRAND TOTAL	-528	-76	288	186	130	17	-28	-11

HEALTH SERVICE SYSTEM

HEALTH PLAN ENROLLMENT AND TERMINATION REPORT FOR FISCAL YEAR 1989-90

<u>MEMBERS</u>	<u>CITY PLAN</u>	<u>KAISER</u>	<u>BRIDGEWAY</u>	<u>FRENCH</u>	<u>BAY PACIFIC</u>	<u>HEALS</u>	<u>FOUNDATION</u>	<u>EXEMPT</u>	<u>ALL PLANS</u>
NEW	1,595	3,443	1,864	7	633	797	37	344	8,720
TERMINATED	1,797	1,777	381	1,227	1,220	395	-	285	7,082
TOTAL	-202	1,666	1,483	-1,220	-587	402	37	59	1,638
<u>DEPENDENTS</u>									
NEW	1,533	2,984	1,747	4	619	550	53	--	7,490
TERMINATED	1,675	3,108	589	615	1,564	418	--	--	7,969
TOTAL	-142	-124	1,158	-611	-945	132	53	--	-479
<u>GRAND TOTAL</u>	-344	1,542	2,641	-1,831	-1,532	534	90	59	1,159

HEALTH SERVICE SYSTEM

ENROLLMENT AND TERMINATION REPORT FOR FISCAL YEAR 1988-89

	<u>CITY PLAN</u>	<u>KAISER</u>	<u>BRIDGEWAY</u>	<u>FRENCH</u>	<u>BAY PACIFIC</u>	<u>HEALS</u>	<u>MAXICARE</u>	<u>EXEMPT</u>	<u>ALL PLANS</u>
<u>MEMBERS</u>									
NEW	1,274	2,286	968	252	892	787	120	230	6,809
TERMINATED	1,649	1,638	376	393	512	173	934	270	5,945
TOTAL	-375	648	592	-141	380	614	-814	-40	864
<u>DEPENDENTS</u>									
NEW	1,255	2,492	1,025	175	1,003	716	96		6,762
TERMINATED	1,967	2,454	485	256	664	199	660		6,685
TOTAL	-712	38	540	-81	339	517	-564		77
<u>GRAND TOTAL</u>	-1,087	686	1,132	-222	719	1,131	-1,378	-40	941

OPEN ENROLLMENT SUMMARY COMPARISON

	<u>1992</u> <u>COMPARISON</u>	<u>1991</u> <u>COMPARISON</u>	<u>1990</u> <u>COMPARISON</u>	<u>1989</u> <u>COMPARISON</u>	<u>1988</u> <u>COMPARISON</u>
CITY PLAN					
Employees	(467)	(206)	(169)	(266)	(802)
Dependent	(504)	268	(160)	(355)	(880)
New Dependents	400	365	333	286	247
Depns. Cancelled	<u>(161)</u>	<u>(507)</u>	<u>(110)</u>	<u>(120)</u>	<u>(118)</u>
Net Gain/Loss	(732)	(80)	214	(455)	(1,553)
KAISER					
Employees	(640)	(321)	130	174	(58)
Dependent	(261)	173	19	161	682
New Dependents	1,243	688	724	631	610
Depns. Cancelled	<u>(279)</u>	<u>(663)</u>	<u>(255)</u>	<u>(147)</u>	<u>(106)</u>
Net Gain/Loss	63	(123)	618	819	528
BRIDGEWAY					
Employees	434	652	912	418	317
Dependent	320	631	767	300	207
New Dependents	634	366	253	183	169
Depns. Cancelled	<u>(104)</u>	<u>(267)</u>	<u>(73)</u>	<u>(54)</u>	<u>(20)</u>
Net Gain/Loss	1,284	1,382	1,859	847	673
FRENCH HOSPITAL PLAN					
Employees				(135)	(192)
Dependent				(72)	(43)
New Dependents				33	39
Depns. Cancelled				<u>(27)</u>	<u>(14)</u>
Net Gain/Loss				(201)	(210)
AETNA (BAY PACIFIC)					
Employees	127	118	(882)	225	460
Dependent	157	194	(959)	137	375
New Dependents	274	155	199	199	214
Depns. Cancelled	<u>(37)</u>	<u>(288)</u>	<u>(95)</u>	<u>(41)</u>	<u>(46)</u>
Net Gain/Loss	521	179	(1,817)	520	1,003
QUAL-MED (HEALS)					
Employees	246	(205)	67	500	178
Dependent	281	71	(37)	354	161
New Dependents	311	86	94	127	55
Depns. Cancelled	<u>(28)</u>	<u>(254)</u>	<u>(23)</u>	<u>(11)</u>	<u>(2)</u>
Net Gain/Loss	810	(302)	101	970	392
FOUNDATION*					
Employees	6	7	37	(855)	194
Dependent	7	9	50	--	98
New Dependents	4	2	3	--	45
Depns. Cancelled	<u>-</u>	<u>(8)</u>	<u>--)</u>	<u>(545)</u>	<u>(8)</u>
Net Gain/Loss	17	10	90	(1,400)	329
EXEMPT					
	294	(45)	(95)	(61)	(97)
	<u>2,257</u>	<u>1,021</u>	<u>970</u>	<u>1,039</u>	<u>1,065</u>

*Statistics prior to 1990 are for Maxicare Health Plan.

REPORT NO. : HSD125

HEALTH SERVICE SYSTEM
1155 MARKET STREET, 3RD FLOOR
SAN FRANCISCO, CA 94103
MEMBERSHIP: (415) 554-1750

SUMMARY OF CHANGES AS OF 07-06-92

EMPLOYEES FROM :

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
TO :										
PLAN 1	93		53		86	30		19	281	392-
PLAN 2	122		83		27	39		53	324	519-
PLAN 3	289	308			68	46	4	17	732	371
PLAN 4										
PLAN 5	141	98	55			35		9	338	93
PLAN 6	75	164	86		39			5	369	197
PLAN 7	10	2			1				13	9
PLAN E	36	178	84		24	22			344	241
TOTAL	673	843	361		245	172	4	103	2401	

DEPENDENTS FROM :

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
TO :											
PLAN 1		47	34		34	3		330	448	214-	606-
PLAN 2	87		56		15	22		1092	1272	634	115
PLAN 3	251	149			64	35	1	538	1038	716	1087
PLAN 4											
PLAN 5	109	66	52			17		249	493	329	422
PLAN 6	64	132	89		18			284	587	491	688
PLAN 7	8	1							19	8	17
PLAN E											241

HEALTH SERVICE SYSTEM
1155 MARKET STREET, 3RD FLOOR
SAN FRANCISCO, CA 94103
MEMBERSHIP: (415) 554-1750

SUMMARY OF CHANGES AS OF 07-06-92

EMPLOYEES FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
T O :										
PLAN 1		13	11		13	5		2	44	75-
PLAN 2	18		15		2	4		10	49	121-
PLAN 3	47	59			12	11	3	8	140	63
PLAN 4										
PLAN 5	33	26	11			3		1	74	34
PLAN 6	13	28	22		6			6	75	49
PLAN 7										3-
PLAN E	8	44	18		7	3			80	53
TOTAL	119	170	77		40	26	3	27	462	

DEPENDENTS FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
T O :											
PLAN 1		6	7		12	6		70	101	51-	126-
PLAN 2	26		19			2		151	198	69	52-
PLAN 3	60	41			13	10	1	96	221	134	197
PLAN 4											
PLAN 5	36	22	13					25	96	65	99
PLAN 6	12	24	35		2			27	100	73	122
PLAN 7								4	4	3	
PLAN E											
CANCEL	18	36	13		4	9			80		53
TOTAL	152	129	87		31	27	1	373	800		

VII. MEDICAL CLAIMS DIVISION

A. Responsibilities:

The Medical Claims Division is comprised of eighteen positions and is responsible for the following:

- . Process all medical claims and maintain records for members of the City Health Plan
- . Calculate and disburse benefit payments to members and providers
- . Respond to all claim benefit inquiries from members and providers
- . Provide supplemental health plan to Medicare for retired members
- . Coordinate third party liability recoveries from third party payors
- . Coordinate workers' compensation lien recoveries
- . Coordinate benefits with other group health insurance carriers.

B. Claim Statistics

The health plan paid out a total of \$43.7 million in benefits to or on behalf of plan members during the 1991-92 fiscal year. The claims experience report of the Plan is incorporated as part of this report.

The Division received over 218,185 claims during the year compared to 210,869 in the previous fiscal year and processed these claims in an average turnaround time of 20.31 days up from 17.39 days in 1990-91.

The Preferred Provider program completed its eight year and continued to be well received by members. The percentage of physician services provided by preferred providers has climbed from 44% in 1984-85 to 65% of all services in 1991-92 (72% of all non-medicare services and 50% of all medicare services). Inpatient hospital admissions at preferred hospitals has climbed from 47% in 1984-85 to 67% of all admissions in 1991-92, a level that has dipped from the 70% penetration that has been maintained since the 1987-88 benefit year.

REPORT BY ACTUARY ON CASH BASIS FOR THE JULY 20, 1992

MEETING OF THE HEALTH SERVICE BOARD

PLAN I

Experience for the period July 1, 1991 through June 30, 1992

	<u>CONTRIBUTIONS</u>	<u>CLAIMS</u>	<u>LOSS RATIO</u>	
			<u>FOR MONTH</u>	<u>CUMULATIVE</u>
(1) <u>MEDICAL BENEFITS</u>				
Active Employees	\$13,464,864	\$13,205,885	125%	98%
Retired Employees (NM)	5,193,649	6,421,243	102	124
Retired Employees (M)	3,836,043	3,282,186	79	86
Adult Dependents (NM)	5,726,850	6,930,306	139	121
Adult Dependents (M)	520,575	730,410	94	140
Minor Dependents	<u>3,353,773*</u>	<u>3,730,705</u>	<u>92</u>	<u>111</u>
TOTAL	\$32,095,754	\$34,300,735	113%	107%
(2) <u>PRESCRIPTION DRUG BENEFIT</u>				
Active Employees	\$ 1,999,896	\$ 2,479,062	146%	124%
Retired Employees (NM)	826,241	889,228	105	108
Retired Employees (M)	<u>2,871,073</u>	<u>3,029,109</u>	<u>105</u>	<u>106</u>
TOTAL	\$ 5,697,210	\$ 6,397,399	118%	112%
(3) <u>VISION CARE BENEFIT</u>				
Active Employees	\$ 516,078	\$ 518,814	114%	101%
Retired Employees (NM)	131,843	132,112	119	100
Retired Employees (M)	<u>301,322</u>	<u>331,665</u>	<u>142</u>	<u>110</u>
TOTAL	\$ 949,243	\$ 982,591	124%	104%
(4) <u>ALL COVERAGES</u>				
Active Employees	\$15,980,838	\$16,203,761	127%	101%
Retired Employees (NM)	6,151,733	7,442,583	103	121
Retired Employees (M)	7,008,438	6,642,960	92	95
Adult Dependents (NM)	5,726,850	6,930,306	139	121
Adult Dependents (M)	520,575	730,410	94	140
Minor Dependents	<u>3,353,773*</u>	<u>3,730,705</u>	<u>92</u>	<u>111</u>
TOTAL	\$38,742,207	\$41,680,725	114%	108%

* Includes subsidy of \$444,000 from Adult Dependent (NM) category and \$702,000 from interest.

CITY HEALTH PLAN I
EXPENDITURES BY MODALITY OF SERVICE

	1991-92	\$	1990-91	\$	1989-90	\$
Ambulatory Surgery Facility	2,049,481		1,783,652		1,323,328	
Hospital Emergency Room	946,718		800,475		712,228	
Inpatient Hospital	11,081,027		10,976,924		8,825,182	
Inpatient Psychiatric	198,189		204,697		217,540	
Inpatient Chemical Detox	99,195		71,427		97,523	
Skilled Nursing	552,329		242,390			
Hospitalization		14,926,939		14,079,565		11,175,800
Medical Visits		3,714,751		3,670,923		3,111,056
		9		10		10
Surgery	3,937,095		3,821,471		3,595,446	
Anesthesiology	690,435		767,596		674,063	
Surgical		4,627,530		4,269,510		4,269,510
		11%		13		13
Acupuncture	127,742		120,253		105,802	
Lab/X-ray	4,669,494		4,477,837		3,636,166	
Psychiatric	710,994		724,754		622,462	
Med. Supplies & Equipment	388,068		360,087		240,261	
X-Ray Therapy	458,555		487,986		371,532	
Dental	58,657		64,789		64,329	
Nursing Services	368,521		327,416		146,700	
Physical Therapy	748,895		672,810		586,140	
Chiropractic	415,285		388,747		310,874	
Ambulance	161,854		137,430		130,480	
All other services	2,923,450		2,308,875		1,562,131	
Other		11,031,515		10,070,984		7,776,877
		27		26		25
Prescription Drugs		6,397,399		5,385,303		4,428,507
		15		14		14
Vision Care		982,591		905,585		859,944
		2%		2		3
Total Expenditures		41,680,725		38,701,427		31,621,694
		100%		100%		100%
AVERAGE LIVES COVERED	23,109		23,611		23,748	

C. ACTUARIAL STATUS

Rael & Letson, as Consulting Actuary to the Health Service System is responsible for assisting the Board in maintaining a sound actuarial position for the Health Service System. As part of their duties, they help establish the contribution rates for Plan I Medical, Prescription Drug and Vision benefits. In addition, they examine the renewal rates of the alternative plans, review the monthly financial experience with the Board and assist on all matters of an actuarial nature.

Their status report for the 1991-92 fiscal year is divided into three sections. In the first section, they report the claims experience and utilization of the benefits under Plan I. The second section presents an analysis of the reserve position of the System as of June 30, 1992. The third section of the report presents their comments, recommendations and certification as to the actuarial position of the Health Service System.

SECTION I

MEDICAL BENEFIT UTILIZATION - PLAN I

In reviewing the benefit utilization information, Rael & Letson sets forth the claim breakdown by benefit category and the claim breakdown by employee and dependent categories for the last four fiscal years.

	<u>COST OF MEDICAL CLAIMS BY BENEFIT CATEGORY</u>			
	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>
Physician Visits	12.8%	11.8%	11.3%	10.8%
Hospital	44.0	42.5	43.4	43.5
Surgical	15.7	16.2	14.2	13.5
Other	<u>27.5</u>	<u>29.5</u>	<u>31.1</u>	<u>32.2</u>
	100.0%	100.0%	100.0%	100.0%

Consistent with previous years, the hospital expenses continue to account for almost 44% of the cost of the medical benefit program. Physician visits and surgical services represent 24% and the balance of approximately 32% is Other benefits of which approximately 42% is attributable to diagnostic X-ray and laboratory services. Additional benefits most utilized in the "Other" category are physical therapy, psychiatric consultations, radiation and chemotherapy, chiropractic, medical supplies and equipment, nursing services, ambulance and acupuncture.

COST OF ALL CLAIMS BY BENEFIT CATEGORY

	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>
Physician Visits	10.8%	9.9%	9.5%	8.9%
Hospital	37.0	35.4	36.4	35.8
Surgical	13.2	13.5	11.9	11.1
Other	23.2	24.5	26.0	26.5
Prescription Drug	13.1	14.0	13.9	15.3
Vision Care	<u>2.7</u>	<u>2.7</u>	<u>2.3</u>	<u>2.4</u>
	100.0%	100.0%	100.0%	100.0%

Over a four year period, expenditures for physician visits as a percentage of all expenditures have decreased two percentage points. The same trend has developed in the surgery category. Overall costs and utilization are continuing to increase at a fast pace for x-ray and laboratory services and prescription drug benefits. Other categories have experienced nominal changes when comparing the four years above.

COST OF MEDICAL CLAIMS BY EMPLOYEE
AND DEPENDENT CATEGORY

	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>
Active Employee	42.7%	45.0%	42.5%	38.5%
Retired & Resigned (NM)	15.0	16.3	17.1	18.7
Retired & Resigned (M)	9.6	8.3	9.7	9.6
Adult Dependents (NM)	19.9	19.4	19.1	20.2
Adult Dependents (M)	1.9	1.4	1.8	2.1
Minor Dependents	<u>10.9</u>	<u>9.6</u>	<u>9.8</u>	<u>10.9</u>
	100.0%	100.0%	100.0%	100.0%

As would be expected, the Active Employee represents by far the largest claim cost component though lower as a percentage of the total than in prior years. Other categories have remained relatively constant over the four year period except for the Retired (NM) group which has increased almost 4%.

HIGH CLAIM ACTIVITY

During the year, statistical data is received summarizing high medical claim activity by individual. Below is a comparison for the last four fiscal years. Since the data are recorded on a date incurred basis, the current year's totals may be somewhat higher for claims still pending payment subsequent to the issuance of this report. Final figures will be adjusted in future reports.

	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>
Five Highest Claims	\$ 152,059	\$ 323,069	\$ 235,172	\$ 504,530
	132,563	222,172	234,708	418,494
	125,363	204,909	209,292	370,886
	114,492	179,070	205,869	361,369
	<u>112,074</u>	<u>172,290</u>	<u>196,036</u>	<u>293,631</u>
Total	\$ 636,551	\$ 1,010,510	\$ 1,081,077	\$ 1,948,910
Average	127,310	202,102	216,215	389,782
Dollars Paid for ten most costly	\$ 1,148,403	\$ 1,770,922	\$ 1,945,229	\$ 2,896,539
Average	114,840	177,092	194,523	289,654
Dollars Paid for fifty most costly	\$ 3,505,175	\$ 4,283,686	\$ 5,799,955	\$ 6,528,959
Average	70,104	85,674	115,999	130,579
Number of claims over \$50,000	40	55	72	75
Number of claims over \$100,000	8	16	24	23
Number of claims over \$200,000	0	3	4	6

CHANGES IN COMPOSITE CLAIM COSTS

As part of the analysis, the composite claim cost increase is determined for all of the employee and dependent benefit categories. The claim cost increases vary considerably between employees and dependents. The composite cost enables us to track the increase for Plan I members and dependents as a whole.

PHYSICIAN VISITS

The following are percentage changes in claim costs for physician visits (From Exhibit I on Page 52).

	<u>CLAIM COST INCREASE</u> <u>1991/92 OVER</u>	
	<u>1990/91</u>	<u>1989/90</u>
Active Employees	4%	22%
Retired & Resigned (NM)	2	29
Retired & Resigned (M)	30	42
Adult Dependents (NM)	5	25
Adult Dependents (M)	10	39
Minor Dependents	0	23
Composite	4	24

Claim costs increased an overall 4% this past year. The percentage increase in claim costs are greater over a two year period because of the unfavorable results in Plan Year 1990/91.

The average number of claims paid in 1991/92 was .386 claims per individual per month as compared to .376 claims per month in the prior year (a 2.7% increase).

Due to the increase in the backlog of unpaid claims, the percentages above should be increased approximately 2% to adjust closer to an incurred basis.

HOSPITAL BENEFIT EXPENSE

Following are the percentage changes for hospital expenses as outlined in Exhibit I (page 52).

	<u>CLAIM COST INCREASE</u> <u>1991/92 OVER</u>	
	<u>1990/91</u>	<u>1989/90</u>
Active Employees	1%	16%
Retired & Resigned (NM)	10	48
Retired & Resigned (M)	(3)	60
Adult Dependents (NM)	18	52
Adult Dependents (M)	71	162
Minor Dependents	35	86
Composite	9	38

The composite claim cost for 1991/92 over 1990/91 increased 9% as compared to a 26% increase for 1990/91 over 1989/90. The Medicare groups' experience is especially unfavorable over a two year period but appears to be primarily due to the expanded Medicare coverage for six months in the 1989/90 Plan Year under the since repealed Catastrophic Coverage Act which reduced Plan I liability.

Due to the increase in the backlog of unpaid claims, the percentages above should be increased approximately 2% to adjust closer to an incurred basis. The average lengths of stay decreased for PPO admissions from 4.99 to 4.72 days after 6.65 days to 5.95 days for Bay Area non-PPO admissions (decreases of 5.4% and 10.5% respectively). Approximately 73% of all non-Medicare Bay Area inpatient days were at PPO hospitals in Plan Year 1991/92. This is 1% less than the prior year.

HOSPITAL BENEFIT EXPENSE

(CONTINUED)

Increases in cost can be minimized by a combination of manageable increases in the per diem rates of the Preferred Provider (PPO) hospitals, preferred usage of the PPO hospital network, utilization review which minimizes unnecessary days in the hospital and case management which allows for professionally managed alternative care in a less costly but medically appropriate environment for the patient. As continually advised, special attention should be paid to stop-loss provisions in our contracting hospital agreements. Unless the stop-loss thresholds are being adjusted upward every year, the value of the negotiated per diems will be eroded as more claims exceed the stop loss threshold and revert to a percentage of billed charges discount.

SURGICAL

Following are the surgical claim cost changes which occurred during the year and are included in Exhibit I (page 52).

	CLAIM COST INCREASE	
	<u>1991/92 OVER</u>	
	<u>1990/91</u>	<u>1989/90</u>
Active Employees	8%	14%
Retired & Resigned (NM)	4	44
Retired & Resigned (M)	(11)	(3)
Adult Dependents (NM)	8	14
Adult Dependents (M)	(31)	3
Minor Dependents	34	(8)
Composite	4	12

The actual increase for the past year on a paid basis, that is 1991/92 over 1990/91, was 4% (6% on an incurred basis). This reflects a consistent percentage of surgeries performed by PPO physicians and reasonable increases in the conversion factors and fee schedules. The claim cost for the minor dependent category is returning to the level of two years ago. Unfavorable results within this group are due to the lower than expected costs in the 1990/91 Plan year.

Future cost increases will continue to depend to a great extent on negotiations with PPO providers along with general inflation and utilization patterns of participants.

OTHER MEDICAL SERVICES

Following are the percentage claim cost changes as outlined in Exhibit I (page 52).

	<u>CLAIM COST INCREASE</u> <u>1991/92 OVER</u>	
	<u>1990/91</u>	<u>1989/90</u>
Active Employees	1%	35%
Retired & Resigned (NM)	44	82
Retired & Resigned (M)	18	81
Adult Dependents (NM)	22	48
Adult Dependents (M)	23	89
Minor Dependents	16	58
Composite	13	47

This category again experienced a bigger percentage increase than any other this past year. Claims paid per individual per month increased from .70 to .73 (a 5.0% increase). The average claim cost increased from \$38.54 to \$43.54 (a 13.0% increase).

As mentioned in previous reports, claim costs under X-Ray and Lab have escalated rapidly because of new and more costly equipment and techniques as well as higher utilization through "defensive medicine" practiced by the medical profession as a result of malpractice awards. In addition, doctors doing lab work in the office or at a lab in which they have a financial interest could have an impact on the type and number of tests done. These factors are largely responsible for the cost increases in this category.

There are also many more claims being paid, primarily on AIDS cases, for injectable medications (not included under the prescription drug program), home infusion therapy and other home health care services. These therapies are overseen by Health Care Evaluation's Case Management program to avoid costs from inpatient hospitalizations. It is quite possible that HCE's success in the Case Management program has resulted in trading inpatient stays for increases in home health care costs, at an overall lower cost.

Following are the claim costs in the last two fiscal years for benefits most utilized in the "Other" category:

	<u>Number of Claims Paid</u>				<u>Amount of Claims Paid</u>						Per Capita % Inc.
	Per Capita		Per Capita		Per Capita		Per Capita		Per Capita % Inc.		
	1990/91	1991/92	1990/91	1991/92	1990/91	1991/92	1990/91	1991/92			
X-ray & Lab	99,510	.381	103,488	.408	7.1%	\$ 4,476,530	\$ 17.13	\$ 4,669,491	\$ 18.43	7.6%	
OMS*	20,405	.078	20,328	.080	2.6	2,292,298	8.77	2,921,190	11.53	31.5	
Physical Therapy	17,744	.068	18,600	.073	7.4	672,812	2.57	748,896	2.96	15.2	
Psychiatric Consultations	23,367	.089	17,427	.069	(22.5)	916,809	3.51	710,991	2.81	(19.9)	
Radiation and Chemotherapy	4,384	.017	3,870	.015	(11.8)	491,334	1.88	459,357	1.81	(3.7)	
Chiropractic	12,428	.048	12,633	.050	4.2	388,746	1.49	415,286	1.64	10.1	

* Listed as "Other Medical Services" in the Health Service System data. Representing about half of these claims in order of most expended are: injectable medications, medications dispensed in the doctor's office and outpatient hemodialysis. It is estimated that over \$600,000 was expended on injectable medications (including IV therapy). As you can see the cost of these benefit increased dramatically (31.5%) in the year whereas the number of claims paid increased only 2.6%.

X-ray and lab services account for the major portion of costs in this category. Utilization (number of services) is a significant factor in the total x-ray and lab cost increases. There is currently a maximum number of annual visits allowed and a lifetime maximum of \$10,000 under psychiatric consultations and an annual maximum for the chiropractic benefit. The Board may also wish to consider a lifetime maximum for the chiropractic benefit and a maximum number of physical therapy visits per disability (or an annual maximum of covered expense).

PRESCRIPTION DRUG EXPENSES

Drug expenditures were more than anticipated (See Exhibit II on Page 53). This unfavorable experience is attributable to significant increases in ingredient costs as well as increases in utilization. Not only has the cost of medications risen but costs also increase when more expensive drugs are dispensed as an alternative to those prescribed in prior periods. Utilization increases are typical as more drugs dispensed after outpatient procedures are billed directly under the pharmaceutical program as opposed to being included in hospital charges.

The overall loss ratio for the prescription drug benefit for the fiscal year ending June 30, 1992 was 112% (expenditures being 12% more than anticipated).

VISION BENEFIT EXPENSES

Vision benefit expenses were also more than expected (See Exhibit II on Page 53). Since Plan I uses Vision Service Plan as administrator and negotiator of fees for exams and materials, the unfavorable experience (costs being 4% more than expected) was mainly due to greater utilization than last year).

Future increases are largely dependent upon changes in utilization patterns and the agreements negotiated by VSP with its panel of providers.

CLAIM COSTS FOR ALL BENEFITS

Though claim costs continued to escalate during the 1991/92 fiscal year, a significant factor in the overall increase was the dollar amount spent on the five largest claims. These five claims amounted to almost \$1 million more than the previous two years combined (a 50% increase). Overall contributions coupled with allocated interest earnings were not enough to offset the total claims paid by the Health Service System. When incorporating the interest subsidy approved by the Board, the year end loss ratio for all benefits was 108% (claim expenditures were 8% more than receipts). The increase in the cost of the five largest claims amounted to 3% of the above loss ratio.

Health care cost increases, in general, remain high. Though inflation and utilization might be the most visible components, there are others that impact costs to a great degree:

- 1) As Medicare and Medicaid (Medi-Cal) streamline their budgets, costs are shifted to the private sector.
- 2) Technological advances not only add to supply cost increases but also to costs associated with an aging population.
- 3) Behavioral changes have led to increased costs related to alcohol and drug dependency, psychiatric care and AIDS related claims.
- 4) Plans pick up added costs when participant deductibles and co-pays are not increased (leveraging).

SECTION II

RESERVES HELD BY THE HEALTH SERVICE SYSTEM

Since October 1981, monthly data have been generated on medical claims paid, by the month in which they were incurred. These data allow for the determination of the actual reserve requirement for incurred but unpaid claims and lets us project that requirement for future years. Following are the reserves required based on actual experience for the five most recent fiscal years.

	ACTUAL PAYOUT OF MEDICAL CLAIMS INCURRED PRIOR TO THAT DATE <u>AND PAID AFTER</u>
July 1, 1987	\$ 5,057,103
July 1, 1988	5,935,344
July 1, 1989	5,134,452
July 1, 1990	7,088,752
July 1, 1991	7,480,383

In last year's report, there was a projected reserve requirement for medical benefits of \$8,055,000 which was approximately \$575,000 more than the actual requirement of \$7,480,383. The calculation of the expected medical claims run-out for the 12 months after June 30, 1992 (\$9,713,000) includes a reserve of \$660,000 for the additional backlog of unpaid claims at 6/30/92.

The balance sheet on the following page reflects additional reserves needed for prescription drug and vision benefit expenses for claims incurred prior to July 1, 1992 but to be paid on or after that date.

CITY AND COUNTY OF SAN FRANCISCO
HEALTH SERVICE SYSTEM
BALANCE SHEET AS OF JUNE 30, 1992

Assets

Total	\$ 40,703,822
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Liabilities

Reserve Requirement:

Plan I Medical Benefits	\$ 9,713,000
Prescription Drug	533,000
Vision Care	<u>164,000</u>

\$ 10,410,000

Premiums Payable	3,300,506
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Unearned Contributions	<u>10,862,468</u>
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Total Liabilities	\$ 24,572,974
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Contingency Reserve	<u>16,130,848</u>
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TOTAL	\$ 40,703,822
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The balance sheet figures were obtained from financial statements prepared by KPMG Peat Marwick. The estimated contingency reserve as of 6/30/92 is \$16,130,848 which represents a reduction of \$4,220,639 during the 1991-92 Plan Year.

This reduction was comprised mainly of adverse experience under Plan I, subsidy to medically single enrollees in HMOs offset by investment income.

SECTION III
COMMENTS AND RECOMMENDATIONS

The PPO provided under Plan I has now been in place for over eight years. Continued usage of PPO providers can help control medical inflationary costs to some extent. Though there are incentives built into the benefit structure to encourage Plan I members to utilize the PPO, further enhancements were possible. Effective July 1, 1992 the Board adopted numerous modifications to the non-PPO benefits to further shift utilization to contract providers.

A continued reduction in the number of participants enrolled in Plan I is seen. Plan I's share of the overall membership also continues to decline. This is mainly attributable to the out of pocket expense borne by the members each month, since the City's contribution is insufficient to support the cost of benefits. It is perceived that, as this process continues, Plan I will be left with a more and more costly population as the younger, less costly employees leave Plan I for financial reasons.

It is again recommended that consideration be given to re-evaluating the process by which the out of pocket expense required of participants is determined. The benefits are reduced enough under the fee-for-service Plan and the requirement of an out of pocket contribution greater than the HMO plans jeopardizes the stability of the Plan I membership.

In almost all of the other Plans for which Rael & Letson are the consulting actuary, there is no self-contribution for the employee. If there is a self-contribution, the rate is most often the same for all employees regardless of the plan chosen. Significant differences in contribution rates lead to selection problems which are currently affecting Plan I.

SECTION III

COMMENTS AND RECOMMENDATIONS

(CONTINUED)

It is still strongly recommended that an independent audit of medical claims be performed to verify accuracy. This practice is routinely done by Plans of this size on an annual basis. A claims audit will determine the error rate of adjusted claims, the projected dollar value for all claims incorrectly adjusted, as well as recommend to the administrator ways to improve on the claims paying process.

The contingency reserve as of June 30, 1992 was approximately \$16,131,000. A minimum reserve target, based on current claim levels, would be \$7,290,000, with a reserve of \$21,870,000 being optimal. These figures represent two and six months worth of claims paid for the year ending June 30, 1992. A contingency reserve is necessary to pay for unanticipated adverse experience in future years.

Based on the current contribution rates, the Health Service System is expected to remain fiscally sound. The Plan is fully funded for its incurred but unpaid claims and, as of June 30, 1992, maintained a contingency reserve of approximately \$16,131,000.

EXHIBIT I

MONTHLY MEDICAL CLAIM COSTS BY BENEFIT

		1989-90	1990-91	1991-92	Percentage Increase	
		<u>Fiscal Yr.</u>	<u>Fiscal Yr.</u>	<u>Fiscal Yr.</u>	<u>1991-92 Over</u>	<u>1989-90</u>
					<u>1990-91</u>	<u>1989-90</u>
Active Employee	Phy. Vis.	\$ 14.69	\$ 17.21	\$ 17.98	4%	22%
	Hospital	55.40	63.39	64.34	1	16
	Surgical	19.25	20.48	22.02	8	14
	Other	<u>42.70</u>	<u>56.87</u>	<u>57.51</u>	1	35
	Total	\$ 132.04	\$ 157.87	\$ 161.85	3%	23%
Retired & Resigned (No Medicare)	Phy. Vis.	\$ 19.63	\$ 24.76	\$ 25.28	2%	29%
	Hospital	95.73	129.80	142.14	10	48
	Surgical	28.02	38.77	40.42	4	44
	Other	<u>51.46</u>	<u>65.13</u>	<u>93.60</u>	44	82
	Total	\$ 194.84	\$ 258.46	\$ 301.44	17%	55%
Retired & Resigned (Medicare)	Phy. Vis.	\$ 3.74	\$ 4.08	\$ 5.32	30%	42%
	Hospital	12.44	20.55	19.87	(3)	60
	Surgical	8.83	9.69	8.58	(11)	(3)
	Other	<u>8.88</u>	<u>13.54</u>	<u>16.03</u>	18	81
	Total	\$ 33.89	\$ 47.86	\$ 49.80	4%	47%
Adult Dependents (No Medicare)	Phy. Vis.	\$ 11.15	\$ 13.34	\$ 13.99	5%	25%
	Hospital	44.09	56.94	67.08	18	52
	Surgical	17.15	18.18	19.63	8	14
	Other	<u>29.78</u>	<u>35.86</u>	<u>44.12</u>	23	48
	Total	\$ 102.17	\$ 124.32	\$ 144.82	16%	42%
Adult Dependents (Medicare)	Phy. Vis.	\$ 3.60	\$ 4.53	\$ 5.00	10%	39%
	Hospital	8.11	12.43	21.23	71	162
	Surgical	6.63	9.81	6.80	(31)	3
	Other	<u>7.35</u>	<u>11.34</u>	<u>13.92</u>	23	89
	Total	\$ 25.69	\$ 38.11	\$ 46.95	23%	83%
Minor Dependents	Phy. Vis.	\$ 23.45	\$ 28.86	\$ 28.90	0%	23%
	Hospital	45.75	62.93	85.09	35	86
	Surgical	18.48	12.65	16.96	34	(8)
	Other	<u>28.68</u>	<u>39.34</u>	<u>45.44</u>	16	58
	Total	\$ 116.36	\$ 143.78	\$ 176.39	23%	52%
Composite	Phy. Vis.	\$ 11.85	\$ 14.05	\$ 14.66	4%	24%
	Hospital	42.65	53.87	58.92	9	38
	Surgical	16.26	17.56	18.26	4	12
	Other	<u>29.54</u>	<u>38.54</u>	<u>43.54</u>	13	47
	Total	\$ 100.30	\$ 124.02	\$ 135.38	9%	35%

EXHIBIT II
MONTHLY PRESCRIPTION DRUG AND VISION CARE COSTS
(INCLUDES ADMINISTRATION COSTS)

<u>Category</u> <u>(Dep. Included)</u>	<u>1989-90</u> <u>Fiscal Yr.</u>	<u>1990-91</u> <u>Fiscal Yr.</u>	<u>1991-92</u> <u>Fiscal Yr.</u>	<u>Percentage</u> <u>Increase</u> <u>1991-92 Over</u> <u>1990-91</u>	<u>Over</u> <u>1989-90</u>
Active Employee					
Drug	\$ 18.09	\$ 23.07	\$ 30.38	32%	68%
Vision	5.26	5.64	6.36	13	21
Retired & Resigned (NM)					
Drug	\$ 30.87	\$ 35.95	\$ 41.74	16%	35%
Vision	5.86	5.63	6.20	10	6
Retired & Resigned (M)					
Drug	\$ 32.94	\$ 39.68	\$ 45.97	16%	40%
Vision	4.01	4.45	5.03	13	25
Composite					
Drug	\$ 25.13	\$ 30.90	\$ 37.90	23%	51%
Vision	4.88	5.20	5.82	12	19

D. Cost Containment Programs

The Health Service Board continued to pursue the maintenance and implementation of effective health care cost containment programs during this fiscal year.

The pre-certification and concurrent review of all hospital admissions which was begun in January, 1983 has resulted in a general decrease in hospital days and admissions since inception. The 1991-92 fiscal year saw a decrease in admissions over 1990-91.

The admissions per 1,000 members decreased from 89 per 1,000 as of June 30, 1991 to 87 per 1,000 as of June 30, 1992. Hospital days per 1,000 decreased from 535 per 1,000 as of June 30, 1991 to 516 per 1,000 as of June 30, 1992. The average length of stay in the hospital decreased from 5.99 in 1990-91 to 5.95 days in 1991-92, with contract hospital stays at 4.87 days and non-contract stays at 8.10 days. Total hospital days decreased from 9,072 in 1990-91 to 8,390 in 1991-92.

Overall inpatient hospital costs increased 7.3% and there was an overall increase in cost of 16% per day of hospitalization. This was comprised of a 14.2% increase for contract hospitals and a 15.3% increase for non-contract hospitals.

Overall retail hospital charges increased from an average of \$1,787 per day in 1990-91 to \$2,059 per day in 1991-92. Preferred provider hospitals were paid an average of \$1,201 per day and non-contract hospitals \$1,437 per day for services rendered to members while the overall average paid was \$1,308 compared to \$1,128 in 1990-91.

An inpatient hospitalization summary from 1981-82 through 1991-92 is incorporated as part of this report.

Other cost containment tools resulting in recovery of benefit expenditures in 1991-92 were third party liability recoveries at \$38,574, workers compensation lien recoveries at \$65,907, and hospital bill audit recoveries of \$33,428.

In addition, \$1,026,390 was avoided in benefit expenditures because of coordination of benefits (COB) with commercial insurance carriers and another \$558,725 was avoided because of fee charges in excess of usual and reasonable as determined by the Plan during this fiscal year.

CITY HEALTH PLAN I
FISCAL YEAR COMPARISON
NON-MEDICARE INPATIENT HOSPITALIZATION

PERIOD	ADM	ADM PER 1,000	DAYS	DAYS PER 1,000	LOS	AVERAGE CHARGE PER DAY	AVERAGE PAYMENT PER DAY	BILLED CHARGES	PAID CHARGES
07/01/81 - 06/30/82	2,074	104	11,969	598	5.82	\$ 665	\$ 554	\$ 7,959,385	\$ 6,630,826
07/01/82 - 06/30/83	2,037	104	10,712	549	5.26	805	668	8,626,356	7,160,688
07/01/83 - 06/30/84	1,808	95	9,695	510	5.36	951	773	9,216,109	7,490,911
07/01/84 - 06/30/85	1,745	92	9,445	497	5.41	969	748	9,150,079	7,067,923
07/01/85 - 06/30/86	1,861	91	10,287	502	5.52	1,092	776	11,231,453	7,984,907
07/01/86 - 06/30/87	1,928	95	9,828	484	5.09	1,232	847	12,104,616	8,323,672
07/01/87 - 06/30/88	1,921	94	10,224	499	5.32	1,291	834	13,196,622	8,526,421
07/01/88 - 06/30/89	1,579	87	8,572	475	5.42	1,560	956	13,371,495	8,191,000
07/01/89 - 06/30/90	1,471	86	7,701	449	5.23	1,824	1,201	14,046,003	9,251,266
07/01/90 - 06/30/91	1,514	89	9,072	535	5.99	1,787	1,128	16,215,353	10,230,244
07/01/91 - 06/30/92	1,410	87	8,390	516	5.95	2,059	1,308	17,278,513	10,972,854
PFO (70%)	940		4,579		4.87	2,370	1,201	10,854,382	5,497,463
STANDARD (30%)	470		3,811		8.10	1,686	1,437	6,424,131	5,475,391

NOTE: Admissions and days include newborns and skilled nursing.

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7/1/92-6/30/93

Health Service System Annual Report

City and County of
San Francisco

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Fiscal Year
July 1, 1992 – June 30, 1993

HEALTH SERVICE SYSTEM

ANNUAL REPORT

FISCAL YEAR JULY 1, 1992 - JUNE 30, 1993

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I. HISTORY OF THE HEALTH SERVICE SYSTEM

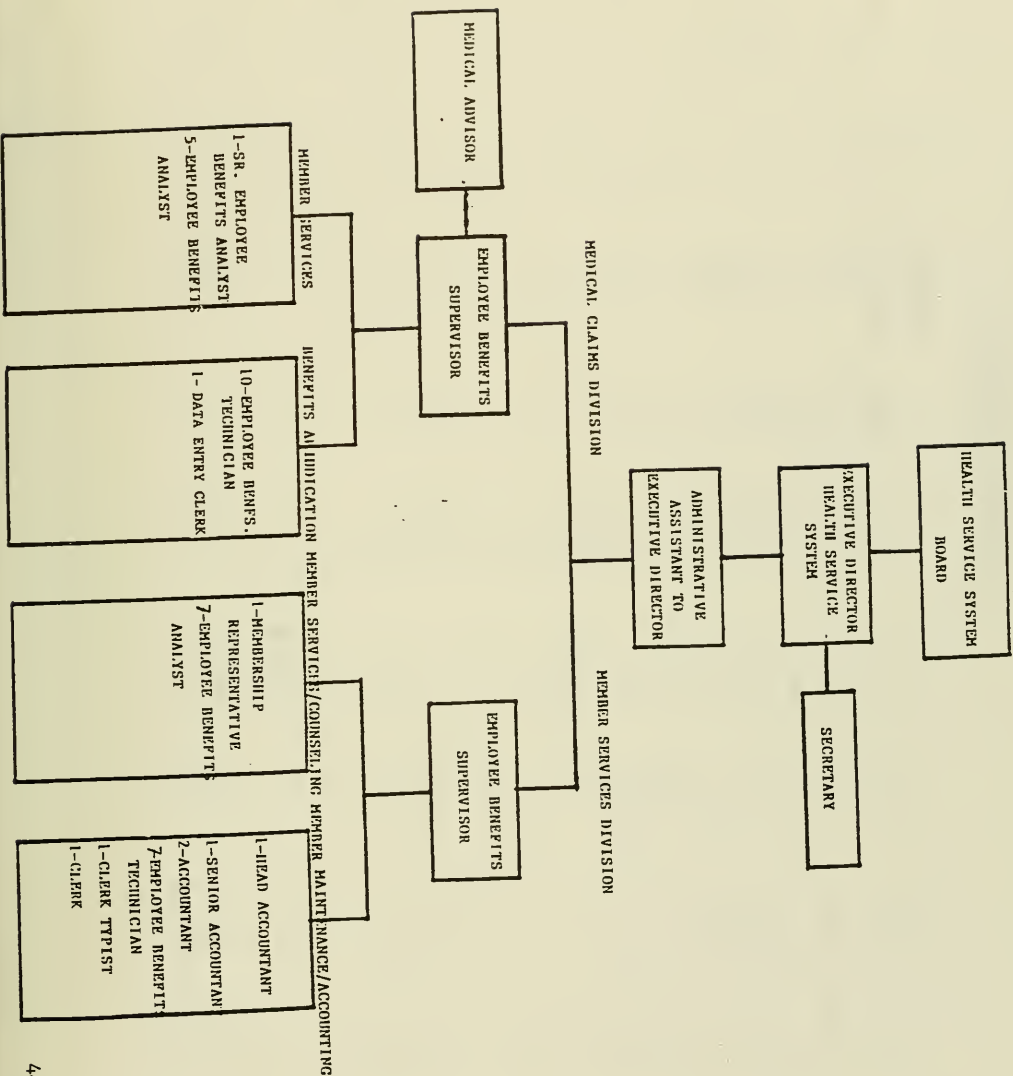
The Health Service System was established by Charter Amendment in March of 1937 and has been conducting business officially since October, 1938. The Health Service System was the culmination of several years of effort on the part of employees of the City and of the Board of Education to secure a workable low cost method of group health protection for themselves and their dependents. The Health Service System became a department of the City and County of San Francisco in 1961.

The System was unique when it was established because it provided for a self-funded medical plan to provide medical protection to 10,293 employees and 5,577 dependents. Today, it is one of the largest county or municipal plans in the United States handling its medical program on a self-funded and self-administered basis with 32,885 active employees, 14,137 retired employees and 48,819 surviving spouses, dependents and COBRA participants as of June 30, 1993.

II. ORGANIZATIONAL COMPOSITION

The Health Service System is administered by the Health Service Board through its Executive Director. The System is organizationally divided into three divisions: Administration, Membership and Medical Claims. The department had a total of 44 permanent positions in the 1992-93 fiscal year.

HEALTH SERVICE SYSTEM
TABLE OF ORGANIZATION
1992-93



III. HEALTH SERVICE SYSTEM
COMPARISON OF EXPENDITURES
FISCAL YEARS 1992-93 AND 1991-92

	1992 - 1993				1991 - 1992			
	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL	ADMIN.	MEMBERSHIP	CLAIMS	TOTAL
001 Permanent Salaries-Misc.	235,375	608,472	731,244	1,575,091	158,446	530,719	685,800	1,374,965
010 Overtime	458	-0-	-0-	458	689	336	143	1,168
060 Mandatory Fringe Benefits	50,686	138,821	170,803	360,310	38,338	131,477	170,787	340,602
106 DP/MP Equipment Maint.	2,003	18,595	26,453	47,051	2,125	17,322	24,684	44,131
109 Other Contractual Services	42,133	15,355	409,297	466,785	24,792	9,173	260,377	294,342
120 Other Services	3,251	16,171	4,154	23,576	11,842	12,305	4,154	28,301
130 Materials & Supplies	808	14,317	7,555	22,680	1,860	17,434	6,804	26,098
146 Rental of Property	108,995	-0-	-0-	108,995	106,212	-0-	-0-	106,212
220 Equipment Purchase	-0-	-0-	1,188	1,188	9,300	-0-	-0-	9,300
329 Registrar of Voters	16,082	-0-	-0-	16,082	-0-	-0-	-0-	-0-
330 Light, Heat & Power	3,377	-0-	-0-	3,377	-0-	-0-	-0-	-0-
340 Controller's - EDP	-0-	95,496	68,357	163,853	-0-	98,057	78,800	176,857
350 Printing & Reproduction	5,931	20,949	11,310	38,190	3,636	1,776	3,381	8,793
351 City Mail Services	17,685	-0-	-0-	17,685	15,378	-0-	-0-	15,378
365 CMO-Ins. & Risk Reduc.	700	-0-	-0-	700	750	-0-	-0-	750
370 Workmen's Comp.	23,242	-0-	-0-	23,242	46,467	-0-	-0-	46,467
339 Controller-Audit	23,200	-0-	-0-	23,200	21,000	-0-	-0-	21,000
420 Legal Service-City Atty.	33,682	-0-	-0-	33,682	79,653	-0-	-0-	79,653
	567,608	928,176	1,430,361	2,926,145	520,488	818,599	1,234,930	2,574,017

IV. HEALTH SERVICE BOARD

Charter Section 3.680 provides for the establishment of a Health Service Board and Section 3.681 prescribes the power and duties of the Board. The Health Service Board is charged with the fiduciary responsibility of maintaining the financial integrity of the Health Service System Trust Fund and of adopting a health plan or plans for the rendering of medical care to members of the System with the ultimate objective of providing the most comprehensive medical coverage possible at the most reasonable cost to all its members.

The Board is composed of seven members; three members elected from the membership at large, two ex-officio members from City government, and two members appointed by the Mayor. The mayoral appointees represent expertise from the insurance profession and from the medical profession. Members of the Board during the 1992-93 fiscal year were:

Employee Members: Claire Zvanski, President
Municipal Railway (Term expires May 15, 1998)

James M. Deignan, Vice-President
Police Department (Term expires May 15, 1994)

Harry Paretchan, Commissioner
Fire Department (Term expires May 15, 1996)

Ex-Officio Members: Carole Migden, Chair
Budget (Finance) Committee, Board of Supervisors
(Term began January, 1993)

Jim Gonzalez, Chair
Budget (Finance) Committee, Board of Supervisors
(Term ended January, 1993)

George E. Krueger, Commissioner
Representing City Attorney
(Term began March 22, 1984)

Appointed members: Sidney E. Foster, M.D., Commissioner
(Term expires May 15, 1996)

Jackson A. Loos, Commissioner
(Term expires May 15, 1995)

The Board's major functions and responsibilities consist of many comprehensive activities:

1. Determine policies relative to the management and administration of the Health Service System.
2. Oversee all operations to be certain they are in conformance with the provisions of the trust (as provided by the Charter), the plan of benefits, the laws pertaining to health and welfare trusts, and the decisions of the trustees as recorded in the minutes of Board meetings.
3. Determine and approve a budget for administration of the Health Service System.
4. Establish the level of benefits the fund can afford, which involves a number of interrelated problems such as:
 - a. Estimating the fund's probable income from all sources.
 - b. Estimating the fund's expenses.
 - c. Determining the desired level of the various reserves and the desired speed of reserve accumulation.
 - d. Determining eligibility rules.
 - e. Estimating the amount of money available for benefits.
 - f. Estimating the number of employees who will be eligible.
 - g. Calculating the amount of money available for benefits for each employee and his or her dependents.
 - h. Selecting the most desirable combination of benefits that can be provided.
 - i. Fixing rates of contributions for members.
5. Approval of contractual obligations and transfer and appropriation of funds.
6. Attend Board and Committee meetings and see to it that minutes are accurate and complete.
7. Determine whether or not the fund will self-insure or utilize the services of an insurance company.
8. Establish the fund's investment policy.
9. Establish employee delinquency procedures.
10. Hear grievances from employees.
11. Report to the employees and to the employer concerning the operation of the fund.
12. Selection of advisors. Advisors may include among others: a consulting actuary, attorney, auditor, benefits consultant and investment advisor.
13. Review of the performance of the administrator and all advisors to the trustees.

V. ADMINISTRATION DIVISION

A. Responsibilities:

The Administration Division is responsible for the following functions:

- . Administer health, dental, disability insurance, cafeteria plan and dependent care assistance plan for all eligible City, School District and Community College District employees, active and retired, and their dependents
- . Plan, organize, actuate and control management policies
- . Implement Health Service Board policies and programs
- . Conduct Board and Committee meetings
- . Prepare and maintain Board calendars, minutes, records, and reports
- . Determine personnel and budget requirements
- . Provide liaison with City departments and other agencies
- . Develop plans and programs
- . Conduct Health Service surveys and investigations
- . Manage Health Service Trust Fund
- . Provide personnel and payroll services

B. Rules and Regulation Changes:

The Health Service Board, through its committee structure, reviewed the Rules and Regulations of the System during 1992-93 to ensure that they were in conformance with current practice, Charter changes and State and Federal Laws.

A number of policy amendments occurred during 1992-93 which were implemented by rule changes and related to the following subjects:

- . An employee who retires but who was not eligible to participate with employer subsidized coverage would be allowed to participate in the System at his or her own expense (July, 1992).
- . Allowing retiring active employees the option of continuing dental coverage under the employer paid or contributory plan at time of retirement (July, 1992).
- . A surviving spouse who re-marries may add the new spouse and other eligible dependents, during an annual open enrollment, however, should the surviving spouse pre-decease the new spouse, no additional dependents acquired by the new spouse could be enrolled in the System (November, 1992).
- . An expansion of organ transplantation coverage to include heart transplants under the City Health Plan (December, 1992).
- . Providing coverage for services of psychiatric registered nurse under City Health Plan (June, 1993).

C. Benefit Plans:

The 1992-93 fiscal year saw a continued expansion in employee benefits with the inclusion of employer paid dental plans for the first time.

The Section 125 Flexible Benefit Plan continued for the fifth year in 1992-93. The Section 125 Plan allows an employee to enter into a salary reduction agreement with the employer thereby allowing the employee to pay any benefit plan premiums which they may be obligated to pay on a pre-tax rather than on a post-tax basis as is customary.

This program provided a tremendous tax savings to the thousands of employees who are participating in the Plan as well as an estimated \$1.5 million in savings to the City and Districts. This program is a significant financial benefit considering that the City pays no portion of dependent's medical premiums for most employees and prior to this fiscal year did not provide an employer paid dental plan.

The Dependent Care Assistance Program offered under Internal Revenue Code Section 125 continued for its third year.

The choice of six health plans were offered to the membership during the 1992-93 fiscal year:

The City Health Plan; Kaiser Foundation Health Plan; Bridgeway Plan for Health; Aetna Health Plans of Northern California; QualMed; and Foundation Health Plan. These six plans provided a balanced selection of health plan options.

The City Health Plan is a fee for service indemnity health plan providing a free choice of covered medical providers. In addition, a Preferred Provider Program was included under the plan for the ninth year.

A Preferred Provider Program is one in which the Health Service System enters into agreements with selected hospitals, physicians and other health professionals to provide medical services to employees and dependents on a discounted fee basis. Members of the health plan are then given economic incentives to utilize selected physicians, hospitals and other health care professionals when requiring medical care.

The program is characterized by the use of a continuum of managed care services including inpatient hospital utilization, selected second surgical opinion review and case management.

The System currently has agreements with twenty-one hospitals and over 4,000 physicians and other health care professionals in the Bay Area. An agreement also continues with a hospital and its physicians in Tuolumne County to cover employees who work for the Public Utilities Commission at Hetch Hetchy.

The System also offered five alternative health maintenance organizations for employees to select.

A health maintenance organization provides a comprehensive set of plan benefits including hospital, surgical and medical care for a prepaid amount of cost. There is usually no cost or only small copayments required when seeking medical care from plan providers.

The Kaiser Health Plan, is a staff model health maintenance organization (HMO) which is hospital based. The Bridgeway Plan for Health provides services both as a hospital based staff HMO, as well as an IPA health maintenance organization. The Aetna Health Plans of Northern California and QualMed California arrange for the provision of health care through individual practice associations (IPA).

The Foundation Health Plan was added effective July 1, 1990 to provide active and retired employees residing in Tuolumne County and the surrounding counties access to a health maintenance organization option.

The Kaiser Health Plan has been offered to City employees since 1949; Bridgeway Health Plan since 1978; the Aetna Plan since 1981, and the QualMed Health Plan has been offered since 1986.

As mentioned earlier, the City agreed to provide an employer paid dental plan at no cost to employees and their dependents commencing July 1, 1992.

After a Request for Proposal process, Delta Dental Plan of California was selected as the indemnity dental carrier.

The existing prepaid dental plans also started to provide new employer paid programs in 1992-93 while continuing their existing contributory plans which are provided predominantly for retirees.

The Delta Dental Plan is an indemnity fee for service dental plan. Employees have a free choice of dentist and are indemnified for services rendered based on a percentage reimbursement schedule.

The DentiCare and Safeguard Dental Plans are prepaid capitated programs. These plans are distinguished from the indemnity plan by their lower premium schedule and by the fact that there are nominal or no copayments required for services provided. The patient must, however, select a participating dentist and receive all dental services from that provider with the exception of specialty service referrals.

This type of plan is characterized by payment to the participating dentist of a set monthly fee or capitation per patient in exchange for the dentist providing all necessary services to each covered patient.

The short term disability plan offered is underwritten by Colonial Life & Accident Insurance Company. It provides disability benefits for up to one year after accident or sickness. An extended protection rider of up to five years was added and offered to employees effective July 1, 1991.

The accident plan provides lump sum benefits for specific injuries/services such as fractures, dislocations, cuts and burns, as well as hospital confinement and death and dismemberment benefits. The accident benefits are paid beginning with the first day of accidental injury.

Sickness disability benefits are payable on the 15th day of disability. If the sickness is severe enough to require hospitalization, the benefits begin on the 1st day of disability.

D. City Fiscal Contribution:

Effective July 1, 1992, the City and County of San Francisco, School District and Community College District contributed \$163.27 per month for each eligible active employee into the Health Service Trust Fund. This amount represented an increase of only \$.54 per month or 0.3% above the employer's contribution for the previous fiscal year and represented 100% of the average being contributed by the ten (10) most populous counties in the State of California as determined by survey conducted pursuant to Charter Section 8.423. The employer contribution is based on the employee only contribution of other counties and does not include any consideration of what another county might contribute toward dependent's health premiums.

The City, School District and Community College District also contribute toward the cost of retired employees health coverage. The Charter requires that retired employees not pay more out of pocket each month than an active employee, and that the City contribute the funds necessary to defray the difference in cost to provide the same health coverage to retired employees as is provided to active employees. The amount that the employer must contribute will therefore fluctuate because of the different costs for each plan.

The Charter also provides that retired persons shall have their medical contributions reduced by the amount they must pay Medicare. Hence, a retired person in Medicare will have his Health Service medical contributions reduced by the Medicare contribution for that year. The cost of Medicare coverage during the 1992-93 fiscal year was \$31.80 per month.

The Health Service Board adopted a rule in March 1975, later amended several times which provides that:

All members and dependents who attain age 65 and who qualify for eligibility in the Part A (HOSPITAL) portion of Medicare on a non-contributory basis must enroll to remain a member of the Health Service System.

Retired members and their dependents who qualify for Part A on a non-contributory basis must enroll in the Part B (Medical) portion of Medicare to remain a member of the Health Service System.

All retired members and their dependents who qualify for early Social Security, and thereby become eligible for Medicare Part A and B portions, must enroll to remain a member of the Health Service System.

Active employees and their dependents over the age of 65 must enroll in the Part B (MEDICAL) portion of Medicare upon retirement if eligible for Part A on a non-contributory basis.

This rule provision has saved the City and County millions of dollars in additional health insurance costs for retired employees over the years it has been in effect. It will continue to save many more dollars in future years even with the Federal Government's efforts to cut and shift costs of the Medicare program from the government to Medicare beneficiaries and their former employers. In addition, with the advent of Medicare risk contracts between the Federal Government and HMO's even greater savings are accruing to the City and to members with dependents in Medicare.

A cost reduction to the employer of approximately \$21.5 million was generated in the 1992-93 fiscal year alone because of Medicare membership. The establishment of Medicare as the primary source of financial responsibility allows all health plans to provide their services to retired employees, and the City at a lower rate. The number of retired employees and dependents over 65 years without Medicare coverage continues to decline each year as the pre-1975 retirees leave the System.

E. Financial Status

The Health Service System ended the 1992-93 fiscal year in excellent financial condition with net assets available for benefits at close of business on June 30, 1993 of \$22.4 million which represented an increase of about \$6.3 million over the net assets available on June 30, 1992.

Increased expenditures of \$10.1 million over the previous fiscal year were offset by nearly a \$20.6 million increase in revenue over the previous fiscal year.

The revenues for the fiscal year amounted to \$157.8 million of which 63.7% or \$100.5 million were contributed by the City, School District and Community College District and 35.2% or \$55.6 million were contributed by employees. In addition, \$1.7 million was collected in interest earnings on the reserves and assets of the System.

The expenditures of the System included approximately \$40.0 million in benefits under the City Health Plan and \$111.4 million in premium payments to benefit plan contractors.

The Statements of Net Assets Available for Health Benefits, the Statements of Changes in Net Assets, and the Investment Report as of close of business June 30, 1993 follow and are incorporated as part of this report.

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Net Assets
Available for Health Benefits

June 30, 1993 and 1992

	<u>1993</u>	<u>1992</u>
Assets:		
Equity in treasurer's cash	\$ 31,623,521	36,615,602
Contributions receivable from		
City and County	4,622,753	1,907,708
Employees	1,329,900	1,644,086
Interest receivable	459,069	535,055
Accounts receivable	<u>1,600</u>	<u>1,371</u>
Total assets	<u>\$38,036,843</u>	<u>\$40,703,822</u>
Liabilities:		
Reserves for claims - Plan I	8,123,650	10,410,000
Due to City and County	21,812	1,618,693
Health maintenance organization, dental and disability premiums payable	2,641,979	3,300,506
Unearned contributions	<u>4,832,710</u>	<u>9,243,775</u>
Total liabilities	<u>\$15,620,151</u>	<u>24,572,974</u>
Net assets available for health benefits	<u>\$22,416,692</u> =====	16,130,848 =====

**SAN FRANCISCO CITY AND COUNTY
HEALTH SERVICE SYSTEM**

Statements of Changes in Net Assets
Available for Health Benefits

Years ended June 30, 1993 and 1992

	<u>1993</u>	<u>1992</u>
Additions to plan assets attributed to:		
Employee contributions	\$55,584,855	\$51,557,315
Employer contributions for:		
Active employees	73,506,578	61,296,179
Retired employees	27,055,553	22,244,381
Interest income	<u>1,661,251</u>	<u>2,112,595</u>
Total additions	<u>157,808,237</u>	<u>137,210,470</u>
Deductions from plan assets attributed to:		
Plan I benefit expense	39,990,160	43,748,844
Health maintenance organization, dental and disability premium expense	111,408,193	97,670,212
Other expenses	<u>124,040</u>	<u>12,053</u>
Total deductions	<u>151,522,393</u>	<u>141,431,109</u>
Increase (decrease) in net assets available for health benefits	6,285,844	(4,220,639)
Net assets available for health benefits:		
Beginning of year	<u>16,130,848</u>	<u>20,351,487</u>
End of year	<u>\$22,416,692</u> =====	<u>16,130,848</u> =====

HEALTH SERVICE SYSTEM TRUST FUND
As of June 30, 1993

POOLED CASH INVESTMENT REPORT

	<u>CASH BALANCE</u> <u>AS OF MONTH END</u>		<u>POOLED CASH</u> <u>AVG. CURRENT YIELD</u>		<u>INTEREST EARNED</u> <u>TO DATE</u>		
	<u>1991-92</u>	<u>1992-93</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1991-92</u>	<u>1992-93</u>	
						<u>MONTH</u>	<u>YTD</u>
JULY	\$30,295,986	\$24,683,861	7.62%	6.70%	\$194,270.20	\$139,144.39	\$ 139,144.39
AUGUST	33,880,926	26,882,001	8.63	5.83	438,007.89	131,736.69	270,881.08
SEPTEMBER	24,467,564	21,468,647	9.21	7.00	627,201.26	125,331.44	396,212.56
OCTOBER	26,601,444	26,697,160	8.83	7.49	824,039.42	167,622.45	563,835.01
NOVEMBER	25,201.322	29,493,208	7.64	5.81	984,577.37	143,639.90	707,474.91
DECEMBER	32,531.637	27,078,008	8.16	6.64	1,205,494.30	150,211.32	857,686.23
JANUARY	28,060,290	25,536,682	7.20	6.01	1,374,918.37	128,418.91	986,105.14
FEBRUARY	26,091,830	26,999,209	6.64	6.11	1,521,296.81	138,594.37	1,124,699.51
MARCH	26,706,761	24,283,689	6.40	8.15	1,664,449.42	165,833.79	1,290,533.30
APRIL	23,718,813	25,145,551	6.32	5.62	1,789,834.06	118,506.50	1,409,039.80
MAY	24,885,848	24,765,553	7.55	5.77	1,947,500.37	119,696.29	1,528,736.09
JUNE	29,587,604	28,044,370	6.67	5.67	2,112,595.29	132,516.23	1,661,252.32

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VI. MEMBERSHIP DIVISION

A. Responsibilities:

The Membership Division had an employment complement of twenty-two positions in 1992-93 to carry out the following responsibilities:

- . Maintain membership records for all employees and dependents
- . Collect, reconcile and disburse premium contributions
- . Maintain accounting functions
- . Prepare financial reports and provide budgetary services
- . Process and counsel new and existing members
- . Provide mail, reproduction and clerical support services
- . Provide accounts receivable services
- . Provide purchasing services

B. Membership Statistics

The Membership Division accounted for \$157.8 million in revenues in 1992-93 which were collected, reconciled and disbursed to the various benefit plans.

The System had a total membership of 95,708 individuals as of July 1, 1993 including 32,885 active employees, 14,137 retired employees, 48,298 dependents and 388 former employees and dependents continuing coverage under the federal health insurance continuation law known as COBRA.

These membership totals represented a net decrease of 361 active employees, a net increase of 37 retired employees, and an increase of 5,028 dependents on June 30, 1993. The Membership Statistical Report as of July, 1993 is incorporated as part of this report and includes demographic reports on the composition of each health plan.

The Division processed 12,416 health plan enrollments and 13,751 terminations during the fiscal year. Exhibits reflecting the enrollment activity during the year and during the annual open enrollment period are incorporated as part of this report.

The Division also received over 48,000 telephone inquiries and over 22,800 office visitations during the year.

HEALTH SERVICE SYSTEM
CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/93

MEMBERSHIP STATUS	CITY - PLAN	KAISER	ALTA	COAL-MED	FOUNDATION	EXEMPT	TOTAL
ACTIVE EMPLOYEES	5,768	14,151	3,236	8,018	57	1,655	32,885
RETIRED EMPLOYEES							
NO MEDICARE	1,447	2,459	228	407	10	123	4,674
PART A	98	66	8	15		3	190
PART B	61	61	1	4	1		150
MEDICARE	4,507	3,711	249	467	13	43	8,990
SUB TOTALS	6,135	6,297	486	893	24	169	14,004
RESIGNED EMPLOYEES							
NO MEDICARE	3		1	1			5
PART A	2						2
PART B	7	1					8
MEDICARE	83	26	3	2		4	118
SUB TOTALS	95	27	4	3		4	133
SURVIVING SPOUSE							
NO MEDICARE	171	276	23	39	3	10	522
PART A	9	5					14
PART B	11	7					18
MEDICARE	1,970	662	42	42	3	10	1,729
SUB TOTALS	1,161	950	65	81	6	20	2,283
COBRA PARTICIPANTS	66	108	24	57		45	300
COMMISSIONERS	15	10	4	9		1	39
ADULT DEPENDENTS OF ACTIVE EMPLOYEES	2,046	4,307	1,125	2,464	29	3,850	13,821
ADULT DEPENDENTS OF RETIRED EMPLOYEES							
NO MEDICARE	886	1,211	103	135	8	218	2,561
PART A	9	4	1	2		1	17
PART B	6	11					17
MEDICARE	1,303	1,206	57	86	6	33	2,691
SUB TOTALS	2,204	2,432	161	223	14	252	5,286
ADULT DEPENDENTS OF RESIGNED EMPLOYEES							
NO MEDICARE							
PART A	1	2	2				1
PART B	3						7
MEDICARE	4	2	2				8
SUB TOTALS							

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CITY AND COUNTY OF SAN FRANCISCO
HEALTH SERVICE SYSTEM
MEMBERSHIP MASTER REPORT - 07/01/93

MEMBERSHIP STATUS	CITY - PLAN	FASTER	ATINA	COAL-MED	FOUNDATION	EXPERT	TOTAL
ADULT DEPENDENTS OF COBRA	3	7	3	9		16	38
ADULT DEPENDS OF COMMISSIONERS	4	4	1	2		5	16
MINOR DEPENDS OF ACTIVE EMPLOYEES	3,011	8,930	2,221	5,128	73	6,262	25,625
MINOR DEPENDS OF RETIRED EMPLOYEES	299	576	45	73		74	1,067
MINOR DEPENDS OF RESIGNED EMPLOYEES							
MINOR DEPENDS OF SURVIVING SPOUSE	34	80	7	13	2	3	139
MINOR DEPENDENTS OF COBRA	4	8	6	15		17	50
MINOR DEPENDS OF COMMISSIONERS	3	7	3	1			14
HEALTH PLAN TOTALS	20,852	37,896	7,393	16,989	205	12,373	95,708

HEALTH SERVICE SYSTEM
CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/93

MEMBERSHIP STATUS	CITY - PLAN	KAISER	AETNA	QUAL-MED	FOUNDATION	EXPERT	TOTAL
ACTIVE EMPLOYEES							
HEALTH & DENTAL	3,274	8,452	2,144	5,430	52	1,019	20,371
HEALTH ONLY	2,494	5,699	1,092	2,588	5	636	11,878
DENTAL ONLY	5,768	14,151	3,236	8,018	57	1,655	32,885
SUB TOTALS							
RETIRED EMPLOYEES							
HEALTH & DENTAL	1,535	1,889	186	321	12	138	4,081
HEALTH ONLY	4,600	4,408	300	572	12	31	9,892
DENTAL ONLY	6,135	6,297	486	893	24	169	14,004
SUB TOTALS							
RESIGNED EMPLOYEES							
HEALTH & DENTAL	2	2		1		3	8
HEALTH ONLY	93	25	4	2		1	124
DENTAL ONLY							1
SUB TOTALS	95	27	4	3		4	133
SURVIVING SPOUSE							
HEALTH & DENTAL	253	224	25	31	3	11	547
HEALTH ONLY	908	726	40	50	3	9	1,727
DENTAL ONLY							9
SUB TOTALS	1,161	950	65	81	6	20	2,283
COBRA PARTICIPANTS							
HEALTH & DENTAL	19	21	5	14			59
HEALTH ONLY	47	87	19	43		45	196
DENTAL ONLY							45
SUB TOTALS	66	108	24	57		45	300
COMMISSIONERS							
HEALTH & DENTAL	12	5	4	7			28
HEALTH ONLY	3	5		2		1	10
DENTAL ONLY							1
SUB TOTALS	15	10	4	9		1	39

HEALTH SERVICE SYSTEM
CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/93

MEMBERSHIP STATUS	CITY - PLAN	KAISER	AETNA	GOAL-HEAD	FOUNDATION	EXPERT	TOTAL
ADULT DEPENDS OF ACTIVE EMPLOYEES							
HEALTH & DENTAL	1,177	2,642	743	1,601	26	11	6,200
HEALTH ONLY	869	1,665	382	863	3		3,782
DENTAL ONLY						3,839	3,839
SUB TOTALS	2,046	4,307	1,125	2,464	29	3,850	13,821
ADULT DEPENDENTS OF RETIRED EMPLOYEES							
HEALTH & DENTAL	573	743	60	91	5	2	1,474
HEALTH ONLY	1,631	1,689	101	132	9		3,562
DENTAL ONLY						250	250
SUB TOTALS	2,204	2,432	161	223	14	252	5,286
ADULT DEPENDENTS OF RESIGNED EMPLOYEES							
HEALTH & DENTAL	1	2	2				1
HEALTH ONLY	3	2					7
DENTAL ONLY							
SUB TOTALS	4	2	2				8
ADULT DEPENDENTS OF COBRA							
HEALTH & DENTAL		2		2			4
HEALTH ONLY	3	5	3	7		16	18
DENTAL ONLY						16	16
SUB TOTALS	3	7	3	9		16	38
ADULT DEPENDS OF COMMISSIONERS							
HEALTH & DENTAL	3	3	1	1			8
HEALTH ONLY	1	1		1		5	3
DENTAL ONLY						5	5
SUB TOTALS	4	4	1	2		5	16

CITY AND HEALTH SERVICE SYSTEM
MEMBERSHIP MASTER REPORT - 07/01/93
SAN FRANCISCO

MEMBERSHIP STATUS	CITY - PLAN	KAISER	ALTA	QUAL-MED	FOUNDATION	EXPERT	TOTAL
MINOR DEPENDS OF ACTIVE EMPLOYEES							
HEALTH & DENTAL	1,679	5,447	1,440	3,297	64	29	11,956
HEALTH ONLY	1,332	3,483	781	1,831	9	1	7,437
DENTAL ONLY	3,011	8,930	2,221	5,128	73	6,232	25,623
SUB TOTALS							
MINOR DEPENDS OF RETIRED EMPLOYEES							
HEALTH & DENTAL	106	218	15	40			379
HEALTH ONLY	193	358	30	33			614
DENTAL ONLY						74	74
SUB TOTALS	299	576	45	73		74	1,067
MINOR DEPENDS OF RESIGNED EMPLOYEES							
HEALTH & DENTAL							
HEALTH ONLY							
DENTAL ONLY							
SUB TOTALS							
MINOR DEPENDS OF SURVIVING SPOUSE							
HEALTH & DENTAL	12	35	3	7	2		59
HEALTH ONLY	22	45	4	6			77
DENTAL ONLY						3	3
SUB TOTALS	34	80	7	13	2	3	139
MINOR DEPENDENTS OF COBRA							
HEALTH & DENTAL		1					4
HEALTH ONLY	4	7	6	12			29
DENTAL ONLY						17	17
SUB TOTALS	4	8	6	15		17	50
MINOR DEPENDS OF COMMISSIONERS							
HEALTH & DENTAL	3	3	3				9
HEALTH ONLY		4		1			5
DENTAL ONLY							
SUB TOTALS	3	7	3	1			14
HEALTH PLAN TOTALS							
	20,852	37,896	7,393	16,989	205	12,373	95,708

MEMBERSHIP STATUS	SAFEGUARD	DENTICARE	DELTA	TOTAL	COLONIAL DISABILITY
ACTIVE EMPLOYEES	947	3,486	15,553	19,986	7,056
RETIRED EMPLOYEES					
NO MEDICARE	293	532	794	1,619	
PART A	15	10	21	46	
PART B	8	6	10	24	
MEDICARE	578	759	948	2,285	
SOB TOTALS	894	1,307	1,773	3,974	
RESIGNED EMPLOYEES					
NO MEDICARE					
PART A					
PART B					
MEDICARE					
SOB TOTALS	2	1	3	6	
SURVIVING SPOUSE					
NO MEDICARE	45	68	68	181	
PART A	1	1		2	
PART B	1	2	1	4	
MEDICARE	100	118	140	358	
SOB TOTALS	147	189	209	545	
COBRA PARTICIPANTS	6	18	80	104	
COMMISSIONERS	1	5	23	29	
ADULT DEPENDS OF ACTIVE EMPLOYEES	425	1,614	7,990	10,029	
ADULT DEPENDENTS OF RETIRED EMPLOYEES					
NO MEDICARE	180	401	437	1,018	
PART A		1	5	6	
PART B		3	1	4	
MEDICARE	159	279	256	694	
SOB TOTALS	339	684	699	1,722	
ADULT DEPENDENTS OF RESIGNED EMPLOYEES					
NO MEDICARE					
PART A					
PART B					
MEDICARE					
SOB TOTALS			1	1	

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CITY AND HEALTH SERVICE SYSTEM
COUNTY OF SAN FRANCISCO
MEMBERSHIP MASTER REPORT - 07/01/93

MEMBERSHIP STATUS	SAFEGUARD	DEPTICARE	DELTA	TOTAL	COLONIAL DISABILITY
ADULT DEPENDENTS OF COBRA	2	5	13	20	
ADULT DEPS OF COMMISSIONERS		4	9	13	
MINOR DEPS OF ACTIVE EMPLOYEES	875	3,262	14,025	18,162	
MINOR DEPS OF RETIRED EMPLOYEES	80	176	197	453	
MINOR DEPS OF RESIGNED EMPLOYEES					
MINOR DEPS OF SURVIVING SPOUSE	7	36	19	62	
MINOR DEPENDENTS OF COBRA	3	5	13	21	
MINOR DEPS OF COMMISSIONERS		5	4	9	
DENTAL PLAN TOTALS	3,728	10,797	40,611	55,136	

HEALTH SERVICE SYSTEM
MEMBERSHIP AGE STATISTICS 07/93

EMPLOYEE MEMBERS

	CITY - ADM.		KAISER		A E I N A		QUAL-RED		FOUNDATION	
	M	F	M	F	M	F	M	F	M	F
TOTALS	3,110	2,739	7,931	6,055	1,893	1,371	4,017	4,067	48	9
PLAN TOTALS	5,849		14,270		3,264		8,084		57	
AVERAGE AGE	46.89		44.96		43.19		41.98		42.14	
MEDIAN AGE	47		45		43		41		42	

RETIRED AND RESIGNED

TOTALS	3,660	2,577	4,289	2,046	299	205	534	373	20	4
NO MED OVER 65	95	79	293	149	7	8	30	19	1	
PLAN TOTALS	6,237		6,335		494		907		24	
AVERAGE AGE	71.35		68.57		65.17		66.18		67.25	
MEDIAN AGE	71		68		65		66		66	

ADULT DEPENDENTS-ACTIVE EMPLOYEES

TOTALS	619	1,427	1,208	3,099	322	803	864	1,600	1	28
PLAN TOTALS	2,046		4,307		1,125		2,464		29	
AVERAGE AGE	46.33		44.88		42.53		41.68		38.86	
MEDIAN AGE	46		44		42		41		39	

ADULT DEPENDENTS-RETIRED & RESIGNED

TOTALS	247	1,961	214	2,220	26	137	34	189	1	13
NO MED OVER 65	7	28	11	78	1	2		5		
PLAN TOTALS	2,208		2,434		163		223		14	
AVERAGE AGE	65.71		64.12		61.29		61.35		62.93	
MEDIAN AGE	67		65		61		62		62	

HEALTH SERVICE SYSTEM
CITY AND COUNTY OF SAN FRANCISCO
MEMBERSHIP AGE STATISTICS 07/93

SURVIVING SPOUSE

	CITY - ADM.		KAISER		AETNA		QUAL-MED		FOUNDATION	
	M	F	M	F	M	F	M	F	M	F
TOTALS	36	1,125	41	909	5	60	2	79		6
NO MED OVER 65		20	3	97		2		2		
PLAN TOTALS	1,161		950		65		81		6	
AVERAGE AGE	74.78		70.99		67.18		66.94		61.50	
MEDIAN AGE	75		72		69		65		60	

MINOR DEPENDENTS

TOTALS	1,674	1,677	4,920	4,681	1,158	1,124	2,666	2,564	41	34
PLAN TOTALS	3,351		9,601		2,282		5,230		75	
AVERAGE AGE	12.86		12.94		10.52		10.15		11.15	
MEDIAN AGE	13		13		10		9		12	

NON-MEMBER EXEMPT EMPLOYEES

TOTALS	678	872								
PLAN TOTALS	1,550									
AVERAGE AGE	44.65									
MEDIAN AGE	44									

OPEN ENROLLMENT SUMMARY COMPARISON

	<u>1993</u> <u>COMPARISON</u>	<u>1992</u> <u>COMPARISON</u>	<u>1991</u> <u>COMPARISON</u>	<u>1990</u> <u>COMPARISON</u>
CITY PLAN				
Employees	(166)	(467)	(206)	(169)
Dependent	(205)	(504)	268	(160)
New Dependents	224	400	365	333
Depns. Cancelled	<u>(107)</u>	<u>(161)</u>	<u>(507)</u>	<u>(110)</u>
Net Gain/Loss	[254]	(732)	(80)	214
KAISER				
Employees	(107)	(640)	(321)	130
Dependent	(55)	(261)	173	19
New Dependents	714	1,243	688	724
Depns. Cancelled	<u>(290)</u>	<u>(279)</u>	<u>(663)</u>	<u>(255)</u>
Net Gain/Loss	262	63	(123)	618
BRIDGEWAY				
Employees		434	652	912
Dependent		320	631	767
New Dependents		634	366	253
Depns. Cancelled		<u>(104)</u>	<u>(267)</u>	<u>(73)</u>
Net Gain/Loss		1,284	1,382	1,859
AETNA				
Employees	138	127	118	(882)
Dependent	113	157	194	(959)
New Dependents	134	274	155	199
Depns. Cancelled	<u>(46)</u>	<u>(37)</u>	<u>(288)</u>	<u>(95)</u>
Net Gain/Loss	339	521	179	(1,817)
QUALMED				
Employees	119	246	(205)	67
Dependent	130	281	71	(37)
New Dependents	407	311	86	94
Depns. Cancelled	<u>(177)</u>	<u>(28)</u>	<u>(254)</u>	<u>(23)</u>
Net Gain/Loss	479	810	(302)	101
FOUNDATION				
Employees	14	6	7	37
Dependent	17	7	9	50
New Dependents	1	4	2	3
Depns. Cancelled	<u>(2)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
Net Gain/Loss	30	17	10	90
EXEMPT				
	2	294	(45)	(95)
	<hr/> 858	<hr/> 2,257	<hr/> 1,021	<hr/> 970

ACTIVE - SUMMARY OF CHANGES AS OF 06-18-93

EMPLOYEES FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
TO :										
PLAN 1		76	76		62	31	2	36	283	79-
PLAN 2	72		110		40	86		79	387	109-
PLAN 3										1150-
PLAN 4										
PLAN 5	98	93	68			27		17	303	95
PLAN 6	166	252	850		93		1	53	1415	1250
PLAN 7	4	2	3						9	6
PLAN E	22	73	43		13	21			172	13-
TOTAL	362	496	1150		208	165	3	185	2569	

DEPENDENTS FROM:

	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
TO :											
PLAN 1		33	62		50	16		196	357	42-	121-
PLAN 2	44		86		24	55		671	880	352	243
PLAN 3											
PLAN 4											1039-
PLAN 5	99	52	66			11		130	358	177	272
PLAN 6	170	184	689		63		4	399	1509	1384	2634
PLAN 7	8	3	7					1	19	13	19
PLAN E											13-
CANCEL	78	256	129		44	43	2		552		
TOTAL	399	528	1039		181	125	6	1397	3675		

RETIRED - SUMMARY OF CHANGES AS OF 06-18-93

EMPLOYEES FROM :

TO :	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	PLAN E	TOTAL	NET GAIN/LOSS
PLAN 1		36	12		9	3	1	4	65	87-
PLAN 2	55		9			7	1	6	78	2
PLAN 3										101-
PLAN 4										
PLAN 5	38	7	10			3		2	60	43
PLAN 6	42	16	66		6			3	133	120
PLAN 7	7	3							10	8
PLAN E	10	14	4		2				30	15
TOTAL	152	76	101		17	13	2	15	376	

DEPENDENTS FROM :

TO :	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6	PLAN 7	ADD	TOTAL	NET GAIN/LOSS	NET TOTAL LIVES
PLAN 1		16	3		2		1	28	50	46-	133-
PLAN 2	26		4			2	2	43	77	17	19
PLAN 3										25-	126-
PLAN 4											
PLAN 5	24	3	1					4	32	24	67
PLAN 6	12	6	12		4			8	42	40	160
PLAN 7	5	1							6	3	11
PLAN E											15
CANCEL	29	34	5		2				70		
TOTAL	96	60	25		8	2	3	83	277		13

ACTIVE - EMPLOYER PAID
 DENTAL PLAN SUMMARY OF CHANGES AS OF 06-18-93

EMPLOYEES FROM :

TO :	DELTA	SAFEGUARD	DENTICARE	NO COVERAGE	TOTAL	NET GAIN/LOSS
	DELTA	197	652	371	1220	1135
	SAFEGUARD	14	25	31	70	164-
	DENTICARE	71	37	105	213	464-
	NO COVERAGE					
	TOTAL	85	234	677	1503	507

DEPENDENTS FROM :

TO :	DELTA	SAFEGUARD	DENTICARE	ADD	TOTAL	NET GAIN/LOSS
	DELTA	314	991	1182	2487	2287
	SAFEGUARD	12	37	81	130	280-
	DENTICARE	93	63	321	477	601-
	CANCEL	95	33	50	178	
	TOTAL	200	410	1584	3272	1406

HEALTH SERVICE SYSTEM
1155 MARKET STREET, 3RD FLOOR
SAN FRANCISCO, CA 94103
MEMBERSHIP: (415) 554-1750

RETIRED - CONTRIBUTORY
DENTAL PLAN SUMMARY OF CHANGES AS OF 06-18-93

EMPLOYEES		FROM :							
TO :	DELTA	DELTA	SAFEGUARD	DENTICARE	NO COVERAGE	TOTAL	NET GAIN/LOSS		
	DELTA		43	78	417	538	394		
	SAFEGUARD	11		15	77	103	17		
	DENTICARE	24	11	-	164	199	45		
	NO COVERAGE	109	32	61		202			
	TOTAL	144	86	154	658	1042	456		

DEPENDENTS		FROM :							
TO :	DELTA	SAFEGUARD	DENTICARE	ADD	TOTAL	NET GAIN/LOSS			
DELTA		20	60	289	369	295			
SAFEGUARD	8		13	54	75	16			
DENTICARE	11	11		1029	1051	910			
CANCEL	55	28	68		151				
TOTAL	74	59	141	1372	1646	1221			

HEALTH SERVICE SYSTEM
HEALTH PLAN ENROLLMENT AND TERMINATION REPORT
FOR FISCAL YEAR 1992-93

<u>MEMBERS</u>	<u>CITY</u> <u>PLAN</u>	<u>KAISER</u>	<u>BRIDGEWAY</u>	<u>AETNA</u>	<u>GOAL-MED</u>	<u>FOUNDATION</u>	<u>EXCEPT</u>	<u>ALL</u> <u>PLANS</u>
NEW	901	1,870	448	719	1,822	27	716	6,503
TERMINATED	<u>1,230</u>	<u>2,137</u>	<u>1,650</u>	<u>424</u>	<u>318</u>	<u>7</u>	<u>427</u>	<u>6,193</u>
TOTAL	- 329	- 267	-1,202	295	1,504	20	289	310
<u>DEPENDENT:</u>								
NEW	832	1,776	612	799	1,850	44	--	5,913
TERMINATED	<u>1,481</u>	<u>2,821</u>	<u>1,752</u>	<u>540</u>	<u>321</u>	<u>11</u>	<u>622</u>	<u>7,358</u>
TOTAL	-649	-1,045	-1,150	259	1,529	33	-622	-1,645
<u>GRAND TOTAL</u>	-978	-1,312	-2,352	554	3,033	53	-333	-1,335

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HEALTH SERVICE SYSTEM
HEALTH PLAN ENROLLMENT AND TERMINATION REPORT
FOR FISCAL YEAR 1991-92

	<u>CITY</u> <u>PLAN</u>	<u>KAISER</u>	<u>BRIDGEMAN</u>	<u>AETNA</u>	<u>QUAL-MED</u>	<u>FOUNDATION</u>	<u>EXEMPT</u>	<u>ALL</u> <u>PLANS</u>
<u>MEMBERS</u>								
NEW	644	1,950	735	379	269	12	299	4,288
TERMINATED	744	1,646	494	205	178	4	322	3,083
TOTAL	-130	304	241	114	-91	8	-23	605
<u>DEPENDENTS</u>								
NEW	485	1,532	669	353	215	20	12	3,286
TERMINATED	883	1,912	622	281	176	11	17	3,902
TOTAL	-398	-380	47	72	39	9	-5	-616
<u>GRAND TOTAL</u>	-528	-76	288	186	130	17	-28	-11

VII. MEDICAL CLAIMS DIVISION

A. Responsibilities:

The Medical Claims Division is comprised of nineteen positions and is responsible for the following:

- . Process all medical claims and maintain records for members of the City Health Plan
- . Calculate and disburse benefit payments to members and providers
- . Respond to all claim benefit inquiries from members and providers
- . Provide supplemental health plan to Medicare for retired members
- . Coordinate third party liability recoveries from third party payors
- . Coordinate workers' compensation lien recoveries
- . Coordinate benefits with other group health insurance carriers.

B. Claim Statistics

The Medical Claims Division received over 54,000 telephone inquiries and over 3,000 office visitations during the year.

The health plan paid out a total of \$42.6 million in benefits (on a cash basis) to or on behalf of plan members during the 1992-93 fiscal year. The claims experience of the Plan is incorporated as part of this report.

The Division received over 219,073 claims during the year compared to 218,185 in the previous fiscal year and processed these claims in an average turnaround time of 23.36 days up from 20.31 days in 1991-92.

The Preferred Provider program completed its ninth year and continued to be well received by members. The percentage of physician services provided by preferred providers has climbed from 44% in 1984-85 to 66% of all services in 1992-93 (74% of all non-medicare services and 53% of all medicare services). Preferred Provider usage was at 65% of all professional services in 1991-92.

Inpatient hospital admissions at preferred hospitals climbed to 83% of all admissions in 1992-93 from 68% of all admissions last year. The number of contract hospital admissions in 1992-93 increased dramatically primarily as a result of benefit reductions for hospital admissions at non-contract hospitals which were imposed effective July 1, 1992. Hospital admissions at contract hospitals in the Bay Area represented 90% of all admissions in the Bay Area in 1992-93.

CITY HEALTH PLAN I

Experience for the period July 1, 1992 through June 30, 1993

	<u>CONTRIBUTIONS</u>	<u>CLAIMS</u>	<u>LOSS RATIO</u>	
			<u>FOR</u> <u>MONTH</u>	<u>CUMULATIVE</u>
(1) <u>MEDICAL BENEFITS</u>				
Active Employees	\$14,249,526	\$13,411,866	80%	94%
Retired Employees (NM)	7,590,187	6,955,233	60	92
Retired Employees (M)	3,884,088	3,530,297	103	91
Adult Dependents (NM)	7,156,515	6,574,531	106	92
Adult Dependents (M)	919,688	725,219	72	79
Minor Dependents	<u>4,149,842</u>	<u>3,513,383</u>	<u>67</u>	<u>85</u>
TOTAL	\$37,949,846	\$34,710,529	82%	91%
(2) <u>PRESCRIPTION</u> <u>DRUG BENEFIT</u>				
Active Employees	\$ 2,509,653	\$ 2,824,113	123%	113%
Retired Employees (NM)	1,032,953	1,079,972	114	105
Retired Employees (M)	<u>3,598,882</u>	<u>3,347,346</u>	<u>92</u>	<u>93</u>
TOTAL	\$ 7,141,488	\$ 7,251,431	105%	102%
(3) <u>VISION CARE</u> <u>BENEFIT</u>				
Active Employees	\$ 417,292	\$ 328,010	102%	79%
Retired Employees (NM)	121,508	106,556	104	88
Retired Employees (M)	<u>297,271</u>	<u>227,943</u>	<u>95</u>	<u>77</u>
TOTAL	\$ 836,071	\$ 662,509	100%	79%
(4) <u>ALL COVERAGES</u>				
Active Employees	\$17,176,471	\$16,563,989	87%	96%
Retired Employees (NM)	8,744,648	8,141,761	67	93
Retired Employees (M)	7,780,241	7,105,586	98	91
Adult Dependents (NM)	7,156,515	6,574,531	106	92
Adult Dependents (M)	919,688	725,219	72	79
Minor Dependents	<u>4,149,842</u>	<u>3,513,383</u>	<u>67</u>	<u>85</u>
TOTAL	\$45,927,405	\$42,624,469	86%	93%

CITY HEALTH PLAN I
EXPENDITURES BY MODALITY OF SERVICE

	<u>1992-93</u>	<u>%</u>	<u>1991-92</u>	<u>%</u>	<u>1990-91</u>	<u>%</u>
Ambulatory Surgery Facility	2,413,861		2,049,481		1,783,652	
Hospital Emergency Room	926,082		946,718		800,475	
Inpatient Hospital	10,376,393		11,081,027		10,976,924	
Inpatient Psychiatric	180,576		198,189		204,697	
Inpatient Chemical Detox	52,830		99,195		71,427	
Skilled Nursing	350,526		552,329		242,390	
Hospitalization	14,300,268	33%	14,926,939	36	14,079,565	36
Medical Visits	3,992,975	9	3,714,751	9	3,670,923	10
Surgery	4,012,312		3,937,095		3,821,471	
Anesthesiology	614,221		690,435		767,596	
Surgical	4,626,533	11	4,627,530	11	4,269,510	13
Acupuncture	38,174		127,742		120,253	
Lab/X-ray	5,106,765		4,669,494		4,477,837	
Psychiatric	785,571		710,994		724,754	
Med. Supplies & Equipment	200,109		388,068		360,087	
X-Ray Therapy	655,416		458,555		487,986	
Dental	18,508		58,657		64,789	
Nursing Services	80,175		368,521		327,416	
Physical Therapy	613,205		748,935		672,810	
Chiropractic	400,588		415,285		388,747	
Ambulance	186,282		161,854		137,430	
All other services	3,705,960		2,923,450		2,308,875	
Other	11,790,753	28	11,031,515	27	10,070,984	26
Prescription Drugs	7,251,431	17	6,397,399	15	5,385,303	14
Vision Care	662,509	2	982,591	2	995,585	2
Total Expenditures	<u>42,624,469</u>	<u>100%</u>	<u>41,680,725</u>	<u>100%</u>	<u>38,701,427</u>	<u>100%</u>
AVERAGE LIVES COVERED	21,710		23,109		23,611	

C. ACTUARIAL STATUS

Rael & Letson, as Consulting Actuaries to the Health Service System, has responsibility to assist the Board in maintaining a sound actuarial position for the Health Service System. As part of their duties, they help establish the contribution rates for City Plan I Medical, Prescription Drug and Vision benefits. In addition, they examine the renewal rates of the alternative plans, review the monthly financial experience with the Board and assist on all matters of an actuarial nature.

Their report for the 1992-93 fiscal year is divided into three sections. In the first section, they report the claims experience and utilization of the benefits under Plan I. The second section presents an analysis of the reserve position of the System as of June 30, 1993. The third section of the report presents their comments, recommendations and certification as to the actuarial position of the Health Service System.

SECTION I

MEDICAL BENEFIT UTILIZATION - PLAN I

In reviewing the benefit utilization information, the claim breakdown by benefit category and the claim breakdown by employee and dependent categories for the last four fiscal years is set forth.

	<u>COST OF MEDICAL CLAIMS BY BENEFIT CATEGORY</u>			
	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>
Physician Visits	11.8%	11.3%	10.8%	11.5%
Hospital	42.5	43.4	43.5	41.2
Surgical	16.2	14.2	13.5	13.3
Other	<u>29.5</u>	<u>31.1</u>	<u>32.2</u>	<u>34.0</u>
	100.0%	100.0%	100.0%	100.0%

Consistent with previous years, the hospital expenses continue to account for more than 40% of the cost of the medical benefit program. Physician visits and surgical services represent 25% and the balance of 34% is Other benefits of which approximately 43% is attributable to diagnostic X-ray and laboratory services. Additional benefits most utilized in the "Other" category are injectable medications, psychiatric consultations, radiation and chemotherapy, physical therapy, chiropractic, medical supplies and equipment, nursing services, and ambulance.

COST OF ALL CLAIMS BY BENEFIT CATEGORY

	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>
Physician Visits	9.9%	9.5%	8.9%	9.4%
Hospital	35.4	36.4	35.8	33.5
Surgical	13.5	11.9	11.1	10.9
Other	24.5	26.0	26.5	27.7
Prescription Drug	14.0	13.9	15.3	17.0
Vision Care	<u>2.7</u>	<u>2.3</u>	<u>2.4</u>	<u>1.5</u>
	100.0%	100.0%	100.0%	100.0%

Over a four year period, hospital expenses as a percentage of all expenditures have decreased two percentage points. The same trend has developed in the surgery category. Overall costs and utilization patterns are continuing to increase at a fast pace for x-ray and laboratory services and prescription drug benefits.

COST OF MEDICAL CLAIMS BY EMPLOYEE
AND DEPENDENT CATEGORY

	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>
Active Employee	45.0%	42.5%	38.5%	38.7%
Retired & Resigned (NM)	16.3	17.1	18.7	20.0
Retired & Resigned (M)	8.3	9.7	9.6	10.2
Adult Dependents (NM)	19.4	19.1	20.2	18.9
Adult Dependents (M)	1.4	1.8	2.1	2.1
Minor Dependents	<u>9.6</u>	<u>9.8</u>	<u>10.9</u>	<u>10.1</u>
	100.0%	100.0%	100.0%	100.0%

As would be expected, the Active Employee represents by far the largest claim cost component. Other categories have remained relatively constant over the four year period except for the Retired (NM) group which has increased almost 4%.

HIGH CLAIM ACTIVITY

During the year, statistical data is received summarizing high medical claim activity by individual. Below is a comparison for the last five fiscal years.

	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>
Five Highest Claims	\$ 152,059	\$ 323,069	\$ 235,172	\$ 504,530	\$ 376,243
	132,563	222,172	234,708	418,494	338,560
	125,363	204,909	209,292	370,886	298,676
	114,492	179,070	205,869	361,369	253,297
	<u>112,074</u>	<u>172,290</u>	<u>196,036</u>	<u>293,631</u>	<u>223,385</u>
Total	\$ 636,551	\$ 1,010,510	\$ 1,081,077	\$ 1,948,910	\$ 1,490,161
Average	127,310	202,102	216,215	389,782	298,032
Dollars Paid for ten most costly	\$ 1,148,403	\$ 1,770,922	\$ 1,945,229	\$ 2,896,539	\$ 2,433,541
Average	114,840	177,092	194,523	289,654	243,354
Dollars Paid for fifty most costly	\$ 3,505,175	\$ 4,283,686	\$ 5,799,955	\$ 6,528,959	\$ 5,710,383
Average	70,104	85,674	115,999	130,579	114,208
Number of claims over \$50,000	40	55	72	75	62
Number of claims over \$100,000	8	16	24	23	15
Number of claims over \$200,000	0	3	4	6	7

CHANGES IN COMPOSITE CLAIM COSTS

As part of the analysis, the composite claim cost increase is determined for all of the employee and dependent benefit categories. The claim cost increases vary considerably between employees and dependents. The composite cost enables tracking the increase for Plan I members and dependents as a whole.

PHYSICIAN VISITS

The following are percentage changes in claim costs for physician visits (From Exhibit I on Page 50).

	CLAIM COST INCREASE	
	<u>1992/93 OVER</u>	
	<u>1991/92</u>	<u>1990/91</u>
Active Employees	21%	26%
Retired & Resigned (NM)	8	10
Retired & Resigned (M)	9	42
Adult Dependents (NM)	16	22
Adult Dependents (M)	3	14
Minor Dependents	12	12
Composite	13	18

Claim costs increased an overall 13% this past year. The percentage increase in claim costs is 18% over a two year period.

The average number of claims paid in 1992/93 was .445 claims per individual per month as compared to .386 claims per month in the prior year (a 15.3% increase). This more than accounts for the 13% increase in claim costs for the year.

HOSPITAL BENEFIT EXPENSE

Following are the percentage changes for hospital expenses as outlined in Exhibit I (Page 50).

	CLAIM COST INCREASE	
	<u>1992/93 OVER</u>	
	<u>1991/92</u>	<u>1990/91</u>
Active Employees	1%	2%
Retired & Resigned (NM)	(1)	8
Retired & Resigned (M)	19	15
Adult Dependents (NM)	(3)	14
Adult Dependents (M)	7	83
Minor Dependents	1	37
Composite	1	10

The composite claim cost for 1992/93 over 1991/92 increased 1% as compared to a 9% increase for 1991/92 over 1990/91. These favorable results are, in part, attributable to fewer large case claims in the 1992/93 Plan Year as compared to prior years.

The average lengths of stay remained constant for PPO admissions at 4.79 days and decreased from 5.95 days to 5.31 days for Bay Area non-PPO admissions. Approximately 81% of all non-Medicare Bay Area inpatient days were at PPO hospitals in Plan Year 1992/93. This is 9% more than the prior year. This statistic should be directly attributable to the reduction in coverage for non-PPO hospitals from 80% to 50% effective July 1, 1992.

HOSPITAL BENEFIT EXPENSE

(CONTINUED)

Increases in cost can be minimized by a combination of manageable increases in the per diem rates of the Preferred Provider (PPO) hospitals, preferred usage of the PPO hospital network, utilization review which minimizes unnecessary days in the hospital and case management which allows for professionally managed alternative care in a less costly but medically appropriate environment for the patient. As continually advised, special attention should be paid to stop-loss provisions in the System's contracting hospital agreements. Unless the stop-loss thresholds are being adjusted upward every year, the value of the negotiated per diems will be eroded as more claims exceed the stop loss threshold and revert to a percentage of billed charges discount.

SURGICAL

Following are the surgical claim cost changes which occurred during the year and are included in Exhibit I (Page 50).

	<u>CLAIM COST INCREASE</u> <u>1992/93 OVER</u>	
	<u>1991/92</u>	<u>1990/91</u>
Active Employees	16%	25%
Retired & Resigned (NM)	(1)	4
Retired & Resigned (M)	(10)	(20)
Adult Dependents (NM)	12	21
Adult Dependents (M)	(9)	(37)
Minor Dependents	(12)	18
Composite	5	10

The actual increase for the past year was 5%. This reflects a consistent percentage of surgeries performed by PPO physicians and reasonable increases in the conversion factors and fee schedules.

Future cost increases will continue to depend to a great extent on negotiations with PPO providers along with general inflation and utilization patterns of participants.

OTHER MEDICAL SERVICES

Following are the percentage claim cost changes as outlined in Exhibit I (Page 50).

	<u>CLAIM COST INCREASE</u> <u>1992/93 OVER</u>	
	<u>1991/92</u>	<u>1990/91</u>
Active Employees	26%	28%
Retired & Resigned (NM)	4	49
Retired & Resigned (M)	(3)	15
Adult Dependents (NM)	8	33
Adult Dependents (M)	(7)	14
Minor Dependents	13	30
Composite	13	27

This category again experienced a bigger percentage increase than any other this past year. Claims paid per individual per month increased from .73 to .84 (a 15.0% increase). The average claim cost increased from \$43.54 to \$49.03 (a 12.6% increase).

As mentioned in previous reports, claim costs under X-Ray and Lab have escalated rapidly because of new and more costly equipment and techniques as well as higher utilization through "defensive medicine" practiced by the medical profession as a result of malpractice awards. In addition, doctors doing lab work in the office or at a lab in which they have a financial interest could have an impact on the type, number, and cost of tests done. These factors are largely responsible for the cost increases in this category.

There are also many more claims being paid, primarily on AIDS cases, for injectable medications (not included under the prescription drug program), home infusion therapy and other home health care services. These therapies are overseen by Health Care Evaluation's Case Management program to avoid costs from inpatient hospitalizations. It is quite possible that HCE's success in the Case Management program has resulted in trading inpatient stays for increases in home health care costs, at an overall lower cost.

Following are the claim costs in the last two fiscal years for benefits most utilized in the "Other" category:

	Number of Claims Paid			Amount of Claims Paid						
	1992/93	Per Capita	1991/92	Per Capita	Per Capita % Inc.	1992/93	Per Capita	1991/92	Per Capita % Inc.	
X-ray & Lab	124,287	.517	103,488	.408	26.7%	\$ 5,106,749	\$ 21.24	\$ 4,669,491	\$ 18.43	15.2%
OMS*	17,699	.074	20,328	.080	(7.5)	3,634,149	15.11	2,921,190	11.53	31.0
Psychiatric Consultations	18,688	.078	17,427	.069	13.0	785,573	3.27	710,991	2.81	16.4
Radiation and Chemotherapy	5,403	.022	3,870	.015	46.7	655,418	2.73	459,357	1.81	50.8
Physical Therapy	17,566	.073	18,600	.073	0.0	613,206	2.55	748,896	2.96	(13.9)
Chiropractic	13,015	.054	12,633	.050	8.0	400,588	1.67	415,286	1.64	1.8

* Listed as "Other Medical Services" in the Health Service System data. Representing about half of these claims in order of most expended are: injectable medications, home health care nursing visits, medications dispensed in the doctor's office and outpatient hemodialysis. It is estimated that close to \$1,000,000 was expended on injectable medications (including IV therapy). This compares to approximately \$600,000 in the 1991/92 Plan Year. As can be seen the cost of these benefits increased dramatically (31.0%) in the past year whereas the number of claims paid actually decreased by 7.5%.

X-ray and lab services account for the major portion of costs in this category. Utilization (number of services) is a significant factor in the total x-ray and lab cost increases. There is currently a maximum number of annual visits allowed and a lifetime maximum of \$10,000 under psychiatric consultations and an annual maximum for the chiropractic benefit. The Board may also wish to consider a lifetime maximum for the chiropractic benefit and a maximum number of physical therapy visits per disability (or an annual maximum of covered expense).

PRESCRIPTION DRUG EXPENSES

Drug expenditures increased 18% in 1992/93 Plan Year (See Exhibit II on Page 51). This experience is attributable to significant increases in ingredient costs as well as increases in utilization. Not only has the cost of medications risen but costs also increase when more expensive drugs are dispensed as an alternative to those prescribed in prior periods. Utilization increases are typical as more drugs dispensed after outpatient procedures are billed directly under the pharmaceutical program as opposed to being included in hospital charges.

The overall loss ratio for the prescription drug benefit for the fiscal year ending June 30, 1993 was 102% (expenditures being 2% more than projected).

VISION BENEFIT EXPENSES

Vision benefit expenses were significantly less than expected (See Exhibit II on Page). Starting with the Plan Year beginning July 1, 1992, exams and lenses were made available once in a 24 month period. Exams and lenses were previously available every 12 months. This change had a dramatic impact on claim costs. Claims were actually 21% less than anticipated. Future increases are largely dependent upon changes in utilization patterns and the agreements negotiated by VSP with its panel of providers.

CLAIM COSTS FOR ALL BENEFITS

Overall contributions coupled with allocated interest earnings were enough to offset the total claims paid by the Health Service System. When incorporating the interest subsidy approved by the Board, the year end loss ratio for all benefits was 93% (claim expenditures were 7% less than receipts).

Health care cost increases, in general, remain high. Though inflation and utilization might be the most visible components, there are others that impact costs to a great degree:

- 1) As Medicare and Medicaid (Medi-Cal) streamline their budgets, costs are shifted to the private sector.
- 2) Technological advances not only add to supply cost increases but also to costs associated with an aging population.
- 3) Behavioral changes have led to increased costs related to alcohol and drug dependency, psychiatric care and AIDS related claims.
- 4) Plans pick up added costs when participant deductibles and co-pays are not increased (leveraging).

SECTION II

RESERVES HELD BY THE HEALTH SERVICE SYSTEM

Since October 1981, monthly data have been generated on medical claims paid, by the month in which they were incurred. These data allow for the determination of the actual reserve requirement for incurred but unpaid claims and let us project that requirement for future years. Following are the reserves required based on actual experience for the five most recent fiscal years.

	<u>ACTUAL PAYOUT OF MEDICAL CLAIMS INCURRED PRIOR TO THAT DATE AND PAID AFTER</u>
July 1, 1988	\$ 5,935,344
July 1, 1989	5,134,452
July 1, 1990	7,088,752
July 1, 1991	7,480,383
July 1, 1992	9,538,151

In last year's report, there was a projected reserve requirement for medical benefits of \$9,713,000 which was approximately \$175,000 more than the actual requirement of \$9,538,151.

The balance sheet on the following page reflects additional reserves needed for prescription drug and vision benefit expenses for claims incurred prior to July 1, 1993 but to be paid on or after that date.

CITY AND COUNTY OF SAN FRANCISCO
HEALTH SERVICE SYSTEM
BALANCE SHEET AS OF JUNE 30, 1993

Assets

Total		\$ 38,036,843
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Liabilities

Reserve Requirement:

Plan I Medical Benefits	\$ 7,408,650
Prescription Drug	605,000
Vision Care	<u>110,000</u>

\$ 8,123,650

Premiums Payable	2,641,979
Unearned Contributions	<u>4,854,522</u>

Total Liabilities	\$ 15,620,151
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Contingency Reserve	<u>22,416,692</u>
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TOTAL	\$ 38,036,843
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The balance sheet figures were obtained from financial statements prepared by KPMG Peat Marwick. The estimated contingency reserve as of June 30, 1993 is \$22,416,692 which represents an increase of \$6,285,844 during the 1992-93 Plan Year.

SECTION III

COMMENTS AND RECOMMENDATIONS

The PPO provided under Plan I has now been in place for over nine years. Continued usage of PPO providers can help control medical inflationary costs to some extent. Though there were always incentives built into the benefit structure to encourage Plan I members to utilize the PPO, further enhancements were possible. Effective July 1, 1992 the Board adopted numerous modifications to the non-PPO benefits to further shift utilization to contract providers.

A continued reduction is seen in the number of participants enrolled in Plan I. Plan I's share of the overall membership also continues to decline. We feel that this is mainly attributable to the out of pocket expense borne by the members each month, since the City's contribution is insufficient to support the cost of benefits. It is perceived that, as this process continues, Plan I will be left with a more and more costly population as the younger, less costly employees leave Plan I for financial reasons.

It is again recommended that consideration be given to re-evaluating the process by which the out of pocket expense required of participants is determined. The benefits are reduced enough under the fee-for-service Plan and the requirement of an out of pocket contribution greater than the HMO plans jeopardizes the stability of the Plan I membership.

In almost all of the other Plans for which Rael & Letson is the consulting actuary, there is no self-contribution for the employee. If there is a self-contribution, the rate is most often the same or close to the same for all employees regardless of the plan chosen (assuming benefits are relatively comparable). Significant differences in contribution rates lead to selection problems which is currently affecting Plan I.

SECTION III

COMMENTS AND RECOMMENDATIONS

(CONTINUED)

It is strongly recommended that an independent audit of medical claims be performed to verify accuracy. This practice is routinely done by Plans of this size on an annual basis. A claims audit will determine the error rate of adjusted claims, the projected dollar value for all claims incorrectly adjusted, as well as recommend to the administrator ways to improve on the claims paying process.

The contingency reserve as of June 30, 1993 was approximately \$22,417,000. A minimum reserve target, based on current claim levels, would be \$7,100,000, with a reserve of \$21,300,000 being optimal. These figures represent two and six months worth of Plan I claims paid for the year ending June 30, 1993. A contingency reserve is necessary to pay for unanticipated adverse experience in future years.

Based on the current contribution rates, the Health Service System is expected to remain fiscally sound. The Plan is fully funded for its incurred but unpaid claims and, as of June 30, 1993, maintained a contingency reserve of approximately \$22,417,000.

EXHIBIT IMONTHLY MEDICAL CLAIM COSTS BY BENEFIT

		1990-91	1991-92	1992-93	Percentage Increase	
		Fiscal	Fiscal	Fiscal	<u>1992-93 Over</u>	
		<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>1990-91</u>	<u>1991-92</u>
Active Employee	Phy. Vis.	\$ 17.21	\$ 17.98	\$ 21.74	26%	21%
	Hospital	63.39	64.34	64.68	2	1
	Surgical	20.48	22.02	25.51	25	16
	Other	<u>56.79</u>	<u>57.51</u>	<u>72.58</u>	28	26
	Total	\$ 157.87	\$ 161.85	\$ 184.51	17%	14%
Retired & Resigned (No Medicare)	Phy. Vis.	\$ 24.76	\$ 25.28	\$ 27.29	10%	8%
	Hospital	129.80	142.14	140.03	8	(1)
	Surgical	38.77	40.42	40.16	4	(1)
	Other	<u>65.13</u>	<u>93.60</u>	<u>97.06</u>	49	4
	Total	\$ 258.46	\$ 301.44	\$ 304.54	18%	1%
Retired & Resigned (Medicare)	Phy. Vis.	\$ 4.08	\$ 5.32	\$ 5.78	42%	9%
	Hospital	20.55	19.87	23.62	15	19
	Surgical	9.69	8.58	7.76	(20)	(10)
	Other	<u>13.54</u>	<u>16.03</u>	<u>15.60</u>	15	(3)
	Total	\$ 47.86	\$ 49.80	\$ 52.76	10%	6%
Adult Dependents (No Medicare)	Phy. Vis.	\$ 13.34	\$ 13.99	\$ 16.26	22%	16%
	Hospital	56.94	67.08	65.00	14	(3)
	Surgical	18.18	19.63	21.94	21	12
	Other	<u>35.86</u>	<u>44.12</u>	<u>47.76</u>	33	8
	Total	\$ 124.32	\$ 144.82	\$ 150.96	21%	4%
Adult Dependents (Medicare)	Phy. Vis.	\$ 4.53	\$ 5.00	\$ 5.15	14%	3%
	Hospital	12.43	21.23	22.69	83	7
	Surgical	9.81	6.80	6.20	(37)	(9)
	Other	<u>11.34</u>	<u>13.92</u>	<u>12.89</u>	14	(7)
	Total	\$ 38.11	\$ 46.95	\$ 46.93	23%	0%
Minor Dependents	Phy. Vis.	\$ 28.86	\$ 28.90	\$ 32.31	12%	12%
	Hospital	62.93	85.09	86.11	37	1
	Surgical	12.65	16.96	14.97	18	(12)
	Other	<u>39.34</u>	<u>45.44</u>	<u>51.24</u>	30	13
	Total	\$ 143.78	\$ 176.39	\$ 184.63	28%	5%
Composite	Phy. Vis.	\$ 14.05	\$ 14.66	\$ 16.60	18%	13%
	Hospital	53.87	58.92	59.47	10	1
	Surgical	17.56	18.26	19.24	10	5
	Other	<u>38.54</u>	<u>43.54</u>	<u>49.03</u>	27	13
	Total	\$ 124.02	\$ 135.38	\$ 144.34	16%	7%

EXHIBIT II
MONTHLY PRESCRIPTION DRUG AND VISION CARE COSTS
(INCLUDES ADMINISTRATION COSTS)

Category (Dependent Included)	1990-91 Fiscal Year	1991-92 Fiscal Year	1992-93 Fiscal Year	Percentage Increase 1992-93 Over 1990-91	1991-92
Active Employee					
Drug	\$ 23.07	\$ 30.38	\$ 38.85	68%	28%
Vision	5.64	6.36	4.51	(20)	(29)
Retired & Resigned (NM)					
Drug	\$ 35.95	\$ 41.74	\$ 47.29	32%	13%
Vision	5.63	6.20	4.67	(17)	(25)
Retired & Resigned (M)					
Drug	\$ 39.68	\$ 45.97	\$ 50.03	26%	9%
Vision	4.45	5.03	3.41	(23)	(32)
Composite					
Drug	\$ 30.90	\$ 37.90	\$ 44.64	44%	18%
Vision	5.20	5.82	4.08	(22)	(30)

D. Cost Containment Programs

The Health Service Board continued to pursue the maintenance and implementation of effective health care cost containment programs during this fiscal year.

The pre-certification and concurrent review of all hospital admissions which was begun in January, 1983 has resulted in a general decrease in hospital days and admissions since inception. The 1992-93 fiscal year saw a significant decrease in admissions over 1991-92.

The admissions per 1,000 members decreased from 84 per 1,000 as of June 30, 1992 to 76 per 1,000 as of June 30, 1993. Hospital days per 1,000 decreased from 436 per 1,000 as of June 30, 1992 to 399 per 1,000 as of June 30, 1993. The average length of stay in the hospital increased from 5.18 in 1991-92 to 5.23 days in 1992-93, with contract hospital stays at 4.79 days and non-contract stays at 6.33 days. Total hospital days decreased from 7,095 in 1991-92 to 5,860 in 1992-93.

Overall inpatient hospital retail costs increased 11.4% while there was a decrease in the cost to the System of 9.9% per day of hospitalization. This was comprised of a 8.5% increase for contract hospitals and a 29.5% decrease for non-contract hospitals. This dramatic decrease resulted from the inpatient non-contract hospital benefit being reduced from 80% to 50% for non-emergency admissions in the Preferred Provider service area effective July 1, 1992.

Overall retail hospital charges increased from an average of \$2,343 per day in 1991-92 to \$2,609 per day in 1992-93. Preferred provider hospitals were paid an average of \$1,340 per day and non-contract hospitals \$1,337 per day for services rendered to members while the overall average paid was \$1,339 compared to \$1,486 in 1991-92.

An inpatient hospitalization summary from 1981-82 through 1992-93 is incorporated as part of this report.

Preadmission and concurrent hospital review saved over \$420,000 and case management saved over \$1,080,000 in 1992-93.

Other cost containment tools resulting in recovery of benefit expenditures in 1992-93 were third party liability recoveries at \$70,234, workers compensation lien recoveries at \$83,294, and hospital bill audit recoveries of \$10,936.

In addition, \$741,321 was avoided in benefit expenditures because of coordination of benefits (COB) with commercial insurance carriers and another \$692,811 was avoided because of fee charges in excess of usual and reasonable as determined by the Plan during this fiscal year.

CITY HEALTH PLAN I
FISCAL YEAR COMPARISON
NON-MEDICARE INPATIENT HOSPITALIZATION

<u>PERIOD</u>	<u>ADM</u>	<u>PCT</u> <u>EPO</u>	<u>ADM PER</u> <u>1,000</u>	<u>DAYS</u>	<u>DAYS PER</u> <u>1,000</u>	<u>LOS</u>	<u>AVERAGE</u> <u>CHARGE</u> <u>PER DAY</u>	<u>AVERAGE</u> <u>PAYMENT</u> <u>PER DAY</u>	<u>BILLED</u> <u>CHARGES</u>	<u>PAID</u> <u>CHARGES</u>
07/01/81 - 06/30/82	2,074	--	104	11,969	598	5.82	\$ 665	\$ 554	\$ 7,959,385	\$ 6,630,826
07/01/82 - 06/30/83	2,037	--	104	10,712	549	5.26	805	668	8,626,356	7,160,688
07/01/83 - 06/30/84	1,808	--	95	9,695	510	5.36	951	773	9,216,109	7,490,911
07/01/84 - 06/30/85	1,745	47	92	9,445	497	5.41	969	748	9,150,079	7,067,923
07/01/85 - 06/30/86	1,861	58	91	10,287	502	5.52	1,092	776	11,231,453	7,984,907
07/01/86 - 06/30/87	1,928	62	95	9,828	484	5.09	1,232	847	12,104,616	8,323,672
07/01/87 - 06/30/88	1,921	69	94	10,224	499	5.32	1,291	834	13,196,622	8,526,421
07/01/88 - 06/30/89	1,579	70	87	8,572	475	5.42	1,560	956	13,371,495	8,191,000
07/01/89 - 06/30/90	1,471	70	86	7,701	449	5.23	1,824	1,201	14,046,003	9,251,266
07/01/90 - 06/30/91	1,485	70	88	8,149	483	5.48	1,965	1,244	16,012,207	10,137,924
07/01/91 - 06/30/92	1,368	68	84	7,095	436	5.18	2,343	1,486	16,620,530	10,544,468
07/01/92 - 06/30/93	1,120	72	76	5,860	399	5.23	2,609	1,339	15,286,328	7,846,839
PPO (72%)	804			3,859		4.79	2,914	1,340	11,246,032	5,172,044
STANDARD (28%)	316			2,001		6.33	2,019	1,337	4,040,296	2,674,795

NOTE: Admissions and days include newborns.

